MONTE-CARLO
SOCIÉTÉ DES BAINS DE MER

Board of Directors' Report

Ordinary General Meeting – September 22, 2017

MONTE-CARLO
SOCIÉTÉ DES BAINS DE MER

Société Anonyme des Bains de Mer
et du Cercle des Etrangers à Monaco (S.B.M.)

BOARD OF DIRECTORS' REPORT

Ordinary General Meeting
September 22, 2017

The financial statements in English are a faithful translation of the original French version but should not be considered as completely accurate due to the unavailability of English equivalents for certain French accounting terms. Consequently, this English document is intended for general information only.

Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco (S.B.M.)
Société anonyme au capital de 24 516 661 euros
Siège Social : Place du Casino – MC 98000 MONACO
RCI Principauté de Monaco 56S00523

Board of Directors

Chairman

Mr. Jean-Luc BIAMONTI

Directors

Mr. Michel DOTTA

Mr. Alexandre KEUSSEOGLOU

Mr. Thierry LACOSTE

Mr. Michael MECCA

Mr. Michel REY

Mr. Pierre SVARA

Mr. William TIMMINS

UFIPAR S.A.S. (permanent representative: Mr. Nicolas BAZIRE)

Executive Management

Chairman and Chief Executive Officer

Mr. Jean-Luc BIAMONTI

Deputy CEO – Finance

Mr. Yves de TOYTOT

General Secretary

Mrs. Agnès PUONS

Statutory Auditors

Permanent Members

Mr. André GARINO

Mr. Louis VIALE

Substitute Members

Mrs. Simone DUMOLLARD

Mrs. Bettina RAGAZZONI

Contractual Auditor

DELOITTE & ASSOCIÉS

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MESSAGE FROM THE CHAIRMAN

Ladies and Gentlemen, Shareholders,

The fiscal year under review has been fairly similar to the two preceding years. Your Company's consolidated revenue and operating income have been more or less stable over the past three fiscal years.

During the last fiscal year, activity in the gaming sector was weaker, while the hotel sector showed good resilience, despite the tragic events which occurred in Nice at the height of summer. As for the property sector, it continues to make progress. The results for this three-year period are not satisfactory. They are explained in part by the fact that your Company has been operating under less than optimal conditions, with reduced capacity at the Hôtel de Paris (very popular with our gaming clients), and by the disruption inevitably caused by the work under way next to the Casino Square.

The figures are in line with the plan we drew up in 2013, when we took the decision to embark on such important work. This plan was the basis for the ten-year financing plan submitted to the banks to negotiate the loan agreement.

Results during these three fiscal years have also been hit by the cost of the New Gaming Collective Agreements, signed in April 2015 for table games and in April 2016 for slot machines. These costs are as follows: EUR 7.6 million in 2014/2015, EUR 11.3 million in 2015/2016 and EUR 10.1 million in 2016/2017.

These costs should fall a little during the fiscal year 2017/2018 and continue to gradually decline until they no longer impact the accounts, from 2020/2021 onwards.

In exchange for these additional costs, the Company obtained a more flexible gaming staff, allowing us to offer better service to our clientele by adapting our gaming offer to match their expectations, and a progressive reduction in the number of gaming employees.

Our goal is to position ourselves as the leading resort in Europe for excellence in gaming, hotels, residential property and shopping. To achieve this objective, we have set out four priorities:

- *Continuing the renovation and development of your Company's property assets:*

  During the fiscal year under review, progress has been made with the renovation of the Hôtel de Paris and the construction of One Monte-Carlo. The Jimmy'z night club has been renovated.

- *Relaunch of the gaming activities:*

  Under the leadership of Pascal Camia, we have more narrowly defined the segmentation of our different client profiles so that we can better meet the expectations of each one. We have also strengthened our marketing policy and centralised comprehensive management of client needs within the Resort under the responsibility of a single individual.

- *Development of training policy:*

  Our biggest effort in terms of training has focused on the strengthening or acquisition of managerial skills, including training in how to carry out annual performance reviews.

  By the end of the fiscal year 2017/2018, all managers in the Company will have completed the course and will thus share the same managerial tools and reference points.

- *Cost control:*

  The entire Executive Committee, boosted by the arrival of Didier Boidin as General Manager of Hotel Operations and Procurement, and Jean-François Mariotte, as Director of Human Resources, is focused on reducing your Company's cost structure in order to improve profitability.

I am convinced that we have just survived our most difficult fiscal year and that from this year on, we should see an improvement in our performance.

I would like to thank Mr Michel Rey, who has served on your Board of Directors since 1999, and who is reached by the statutory age limit. Throughout all these years, Michel has contributed, among other things, his professional experience and his knowledge of the luxury hotel industry.

I would also like to thank all of our Company's staff, who have put in a huge amount of work and enabled us to continue to satisfy our clientele in a difficult operational environment. Their devotion is the best guarantee we have that we will achieve our objective.

Jean-Luc Biamonti

Chairman and Chief Executive Officer


HERMITAGE

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KEY FIGURES

Key figures related to the last three fiscal years

CONSOLIDATED FIGURES *(in million of euros)*	**2014/2015**	**2015/2016**	**2016/2017**
Consolidated revenue	452.4	461.4	458.8
Operating income before depreciation and amortization	20.1	19.9	17.1
Operating income	(31.5)	(31.0)	(32.8)
Consolidated net income attributable to the owners of the parent company	10.0	(29.1)	(36.4)
Comprehensive income attributable to the owners of the parent company	(36.4)	(32.6)	(37.2)
Cash generated from operations	21.1	23.8	16.4
Purchase of PP&E, intangible and financial assets	101.9	77.8	111.9
Equity	680.4	656.2	639.6
Net Debt/(Cash position)*	(186.2)	(187.0)	(94.0)
Average number of employees	4,164	4,104	4,148
Market share price as of fiscal year's last day (in euros)	34.00	32.55	33.20
GAMING SECTOR FIGURES			
Casinos operated (number of permanent establishments at the end of the period)	4	4	4
Consolidated revenue (gross gaming revenue)	196.4	213.6	201.7
Operating income	(16.3)	(8.6)	(20.2)
HOTEL SECTOR FIGURES			
Hotels operated	5	5	5
Accomodation capacity (average number of rooms available)	1,148	1,080	1,088
Occupancy rate (average rate including Le Méridien Beach Plaza)	64.2%	64.3%	63.6%
Consolidated revenue	226.4	213.2	218.5
Operating income	(6.2)	(8.6)	(9.8)
RENTAL SECTOR FIGURES			
Consolidated revenue	28.9	36.1	39.4
Operating income	17.6	20.4	23.0

* *Net Debt: please refer to the French version of the « Document de Référence 2017 ».*

The key figures related to the last three fiscal years are extracted from the Group consolidated financial statements (statement of financial position, statement of income, cash flow statement) for the fiscal years ended March 31, 2015, 2016 and 2017.

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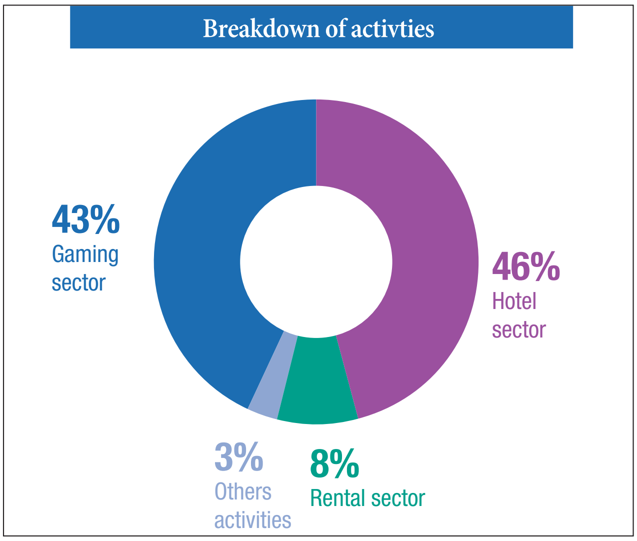
ANALYSIS OF THE FINANCIAL POSITION AND ACTIVITY OF S.B.M. GROUP DURING FISCAL YEAR 2016/2017

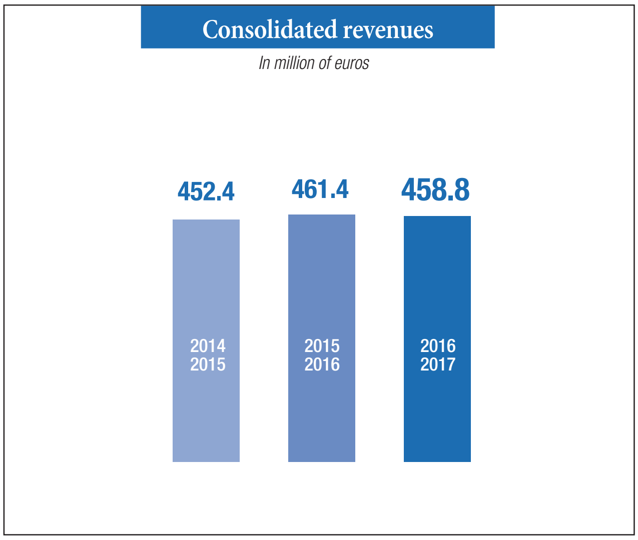
3.1 Presentation of fiscal year 2016/2017 results

3.1.1 Highlights of activity in fiscal year 2016/2017

S.B.M. Group reported consolidated revenue of €458.8 million for fiscal 2016/2017 compared to €461.4 million the previous year, for a decrease of -1%.

Consolidated revenue by business segment *(in million of euros)*	2014/2015	2015/2016	2016/2017	Variation
Gaming Sector	196.4	213.6	201.7	(11.9)
Hotel Sector	226.4	213.2	218.5	5.3
Rental Sector	28.9	36.1	39.4	3.3
Other Activities	14.8	13.6	14.3	0.7
Internal transfers	(14.1)	(15.0)	(15.1)	(0.1)
CONSOLIDATED REVENUES	**452.4**	**461.4**	**458.8**	**(2.6)**





The drop in activity in the gaming sector (-6%) is partially offset by the hotel and rental sectors, which posted growth of 3% and 8% respectively.

The gaming sector reported revenue of €201.7 million, versus €213.6 million in 2015/2016. The decrease is primarily due to lower table games receipts, down 9% over the fiscal year due to a decline in the number of bets. Revenue for slot machines also fell, posting a 3% drop, despite an increase in the number of bets.

Hotel revenue totaled €218.5 million, compared to €213.2 million in 2015/2016. This positive trend, despite a drop in August, particularly in terms of visits, stems from an improvement in activity for the Monte-Carlo Bay Hotel and the Hôtel de Paris, despite the reduced accommodation capacity. In addition, the change to fixed compensation for the staff of several catering establishments boosted revenue by nearly €4 million. Personnel had previously received a percentage of the service paid.

The rental sector, comprising the rental of boutiques and office space, and the activities of the Monte-Carlo Bay, Balmoral, and Villas du Sporting residences, reported revenue of €39.4 million, up 9% compared to the previous year. The increase is due to the rental of new spaces.

Finally, the Other activities sector recorded annual revenue of €14.3 million, compared to €13.6 million the previous year.

3.1.2 Analysis of fiscal year 2016/2017 operating results by sector

The developments in the various business sectors – gaming, hotels and rental – are analyzed below for the year ended March 31, 2017.

GAMING SECTOR

With receipts of €201.7 million in 2016/2017, the gaming sector reported a €11.9 million decline in revenue, down -6% over last year. This is mainly attributable to a drop in table games receipts and, to a lesser extent, in slot machines.

The following table shows the development of gaming sector receipts by business segment.

The Other activities segment mainly comprised the entrance fees to the Monte-Carlo Casino and, since fiscal 2014/2015, the catering and bar receipts recorded within the gaming establishments.

Gaming revenue *(in million of euros)*		2014/2015	2015/2016	2016/2017	%
47%	Table games	100.1	104.7	95.2	-9%
48%	Slot machines	88.6	98.7	96.2	-3%
5%	Other activities	7.7	10.2	10.2	1%
100%	**TOTAL GAMING SECTOR**	**196.4**	**213.6**	**201.7**	**-6%**

The **table games** sector reported revenue of €95.2 million for fiscal year 2016/2017, compared to €104.7 million the previous year, for a decrease of €9.5 million, or -9%.

The drop in receipts is due to a fall in the 2016/2017 first quarter, posting revenue of €15.1 million, compared to €28.6 million for the 2015/2016 first quarter, for a decrease of -€13.5 million, due to the lower number of bets and a particularly unfavorable environment in April and June 2016. The second quarter, up by €7.8 million year on year, partially offset the first quarter decline, but since the previous year's third and fourth quarters also posted lower receipts, at -€1.9 million and -€1.8 million respectively, the business loss of the first months could not be recovered. It should be noted that the first two quarters of fiscal 2015/2016 were particularly positive.

In fiscal 2016/2017, the drop fell by 11% and the hold (receipts/betting ratio) stood at 14.6%, compared to 14.4% the previous fiscal year.

The main trends are as follows:

- the Monte-Carlo Casino primarily operates European Games, the most significant segment of the business. During fiscal 2016/2017, receipts fell by -€10 million, mainly due to the lower drop. In addition, American Games fell by -€12.1 million, because of the activity's transfer to the Café de Paris Casino. European Roulette remains the establishment's principal game, with nearly €33.1 million in receipts, representing 47% of the Monte-Carlo Casino's gross receipts;
- the Café de Paris Casino's table games operations generated revenue of €15.4 million for the year. Since this activity has only been in operation since March 25, 2016, the increase in receipts amounts to +€15.6 million year on year;
- the Sun Casino reported gross receipts of €24.6 million, down -11% despite an increase in the gaming volume.

The **slot machines** sector posted a sharp decrease in its activity, with revenue of €96.2 million in 2016/2017, compared to €98.7 million for the previous year.

Receipts were down -3%, despite a +1.7% increase in the volume of bets, the payout rate favoring players over the period. The higher betting volume was primarily generated by the Café de Paris Casino and the Bay Casino, the other casinos posting negative volume trends.

Only the Café de Paris Casino posted a significant increase in the number of players (+11% versus last year), which explains the business volume transfer between the establishments and the decline in the Monte-Carlo Casino activity. The fall in the Sun Casino activity was more the result of the disruption brought on by the renovation work from September to December 2016.

The 24/7 opening, smoking areas, and a more intense events policy have maintained the establishments' operations at a level that exceeds that of the French and Italian competitors.

The tragic events that took place in Nice in July 2016 had a varying impact on the slot machine activity. Beginning in September 2016, the activity returned to a more consistent level.

Receipts from **other activities** stood at €10.2 million, identical to fiscal 2015/2016.

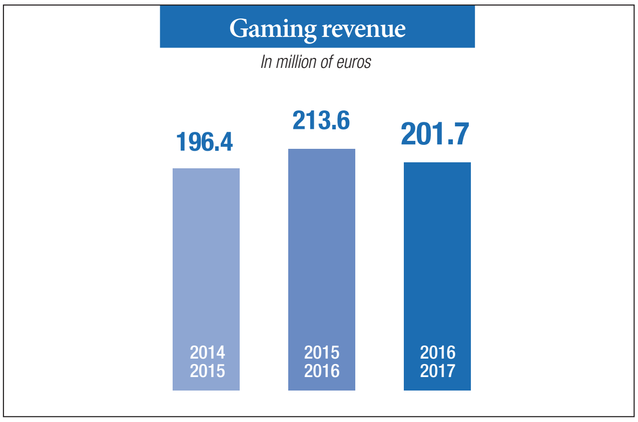
For the **entire gaming sector,** an operating loss before depreciation and amortization of -€13.3 million was recorded in fiscal 2016/2017, compared to an operating loss of -€1.8 million for the previous year.

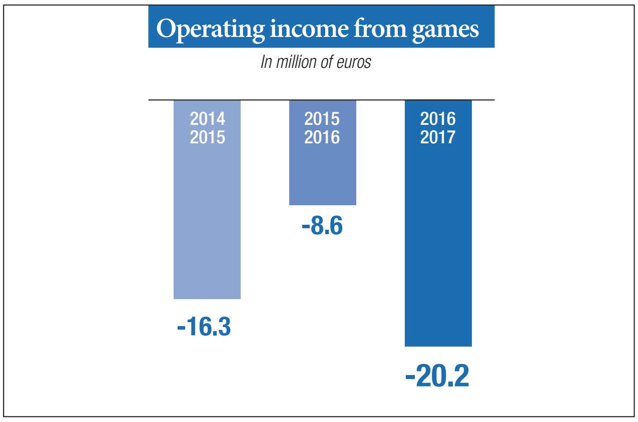
This €11.5 million decrease was primarily attributable to the fall in revenue for the two aforementioned segments.

The operating loss continues to be affected by the new table games and slot machines collective agreements, which generated additional costs of €10.1 million in fiscal 2016/2017, compared to €11.3 million the previous year. However, wages and salaries in the gaming sector fell by €2.2 million in fiscal 2016/2017.

In addition, the last year saw an increase in provisions for the impairment of trade receivables and in expenses for invitations and events.

After taking into account the depreciation and amortization charge, the Group reported an operating loss of €20.2 million for the gaming sector in 2016/2017, compared to a loss of €8.6 million the previous year.





HOTEL SECTOR

The ongoing extensive renovation of the Hôtel de Paris significantly affects the operating conditions of this establishment, which invariably had a very substantial impact on the hotel sector's performance in terms of revenue and operating income.

For fiscal 2015/2016, the impact of this work on hotel sector operating income was assessed at €17 million, breaking down as follows:

- an additional cost following the revised Hôtel de Paris depreciation schedule for €1 million;
- the year-long consequences of Hôtel de Paris operating with a reduced capacity of 40 rooms instead of 182.

For fiscal 2016/2017, the impact of this work on the sector's operating income was stable at €17 million, the amount taking into account the partial suspension of activity at the Hôtel Hermitage. However, the assessment of the work impact does not consider business losses, difficult to assess, which will probably be borne by other operations that were often frequented by the clientele of the Hôtel de Paris, such as the Monte-Carlo Beach seaside complex, the Thermes Marins Monte-Carlo or other Carré d'Or restaurants.

Overall, the hotel sector posted revenue of €218.5 million for fiscal 2016/2017, compared to €213.2 million year on year, up by +3%, or €5.3 million, with:

- the change to a fixed salary for the staff of several catering establishments, previously paid according to a percentage of the service charge, boosting revenue by nearly €4 million;
- a €1 million improvement in the Hôtel de Paris revenue;
- a positive trend for the Monte-Carlo Bay Hotel & Resort activity, with receipts up by €2.7 million;
- Le Méridien Beach Plaza, with receipts declining by €2.6 million, could not make up for the lag in activity during the summer season following the tragic events in Nice, despite a year-end recovery.

The trends of the various activity segments can be analyzed as follows:

Hotel revenue *(in million of euros)*		2014/2015	2015/2016	2016/2017	%
40%	Accomodation	95.1	88.1	87.9	0%
45%	Catering	103.8	95.4	98.5	3%
15%	Other activities	27.5	29.6	32.1	8%
100%	**TOTAL HOTEL SECTOR**	**226.4**	**213.2**	**218.5**	**3%**

The Group's **accommodation** revenue stood at €87.9 million, compared to €88.1 million for fiscal 2015/2016.

Reduced operations for the Hôtel de Paris for the entire year, with a capacity of approximately 43 rooms, is comparable to that of fiscal 2015/2016 (40 rooms on average). In this comparable scope, the number of rooms sold has nevertheless risen, the hotel reporting a 3-point rise in the occupancy rate. Accordingly, accommodation revenue was up by €0.9 million, an increase of nearly 19%, for which the average price contributed 9%.

The Monte-Carlo Bay Hotel & Resort and Monte-Carlo Beach establishments also posted higher accommodation revenues, at +4% and +3% respectively.

Conversely, the tragic events in Nice had a greater impact on Le Méridien Beach Plaza, with a decline in its summer business, mainly comprising last-minute reservations At the year-end, the hotel was unable to recover the second half lag in activity for €1.9 million.

The following are some of the accommodation indicators for the entire S.B.M. Group:

- the occupancy rate is down slightly, standing at 63.6%, compared to 64.3% for fiscal 2015/2016, with a substantial -6% decrease for Le Méridien Beach Plaza and a drop of -1% for the Hôtel Hermitage. As it is calculated on the number of rooms available for sale, the occupancy rate of the Hôtel de Paris exceeded the previous year, given the limited capacity;
- average accommodation prices rose for all establishments, with the exception of the Monte-Carlo Beach, which reported a 3% drop, due to the mix of rooms sold;
- finally, client segmentation by geographical origin remained consistent with last year, the share of French clients continuing to dominate with 20% of the market. Russian and American clients respectively accounted for 13% and 12% of the Resort's clients.

The **catering** activity posted revenue of €98.5 million, compared to €95.4 million the previous year, for an increase of €3.1 million. The rise was primarily generated by the automatic impact of the change to a fixed salary for several crews at the Hôtel Hermitage, the Sporting Monte-Carlo and Jimmy'z, for an overall impact of almost €4 million.

Trends for the other catering establishments of the S.B.M. Group were mixed. The number of meals served for the entire S.B.M. Group stood at 949,000, a decrease of 42,000 in relation to last year. The loss was greatest at the Café de Paris, with 263,000 meals served, for a decrease of 27,000 in relation to last year. The S.B.M. Group's top establishment in terms of catering revenue, the Café de Paris had already been hampered by the ongoing Place du Casino work. Added to this was the impact of the tragic events in Nice in terms of the number of tourist cruises and other tourist events. Le Méridien Beach Plaza and the Hôtel Hermitage also reported significant declines in business, at -6% and -15% respectively, while the Monte-Carlo Bay Hotel & Resort was one of the few hotel establishments that posted a simultaneous rise in the number of meals served and the average price.

The average price for all establishments rose 2% year on year, due to a favorable mix impact (decrease in the number of meals served at lower average prices).

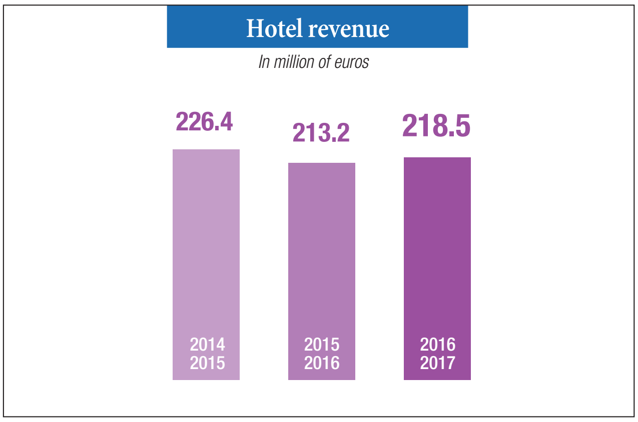
Revenue for the **other activities** of the hotel sector were up by 8%, standing at €32.1 million for fiscal 2016/2017, versus €29.6 million the previous year.

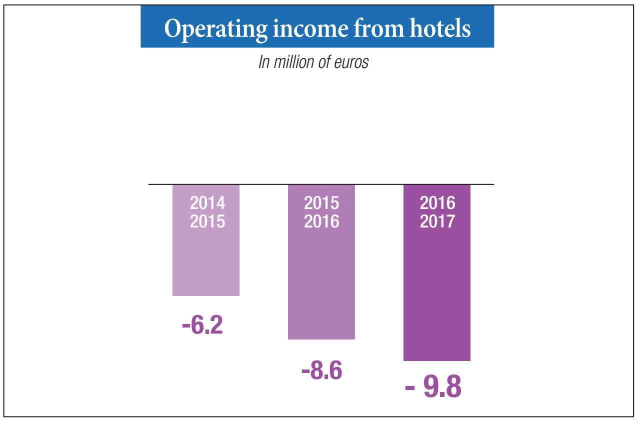
For the **entire hotel sector,** operating income before depreciation and amortization amounted to €14.7 million for fiscal 2016/2017, compared to €17.9 million for fiscal 2015/2016, a decrease of €3.2 million.

The decline in the item is primarily due to the poor performance of the Hôtel Hermitage and the lower number of visitors recorded for the Café de Paris and Le Méridien Beach Plaza following the events in Nice.

Depreciation and amortization charges for the hotel sector fell by €2.1 million, standing at €24.5 million for fiscal 2016/2017. The decrease was attributable to the absence of the €1 million charge recorded in fiscal 2015/2016 due to the revised Hôtel de Paris depreciation schedule.

After taking into account depreciation and amortization charges, the hotel sector posted an operating loss of -€9.8 million for fiscal 2016/2017, compared to a loss of -€8.6 million the previous year.





RENTAL SECTOR

Rental sector revenue rose 9%, standing at €39.4 million for fiscal 2016/2017, versus €36.1 million the previous year.

Leasing revenue *(in million of euros)*		2014/2015	2015/2016	2016/2017	%
53%	Commercial rental	15.6	19.0	21.0	11%
47%	Residential rental	13.3	17.1	18.4	7%
100%	**TOTAL RENTAL SECTOR**	**28.9**	**36.1**	**39.4**	**9%**

The **commercial rental** sector, which combines the leasing of boutiques and office space, reported revenue of €21 million for fiscal 2016/2017, compared to €19 million the previous year. The €2 million increase is mainly due to the creation of new commercial space.

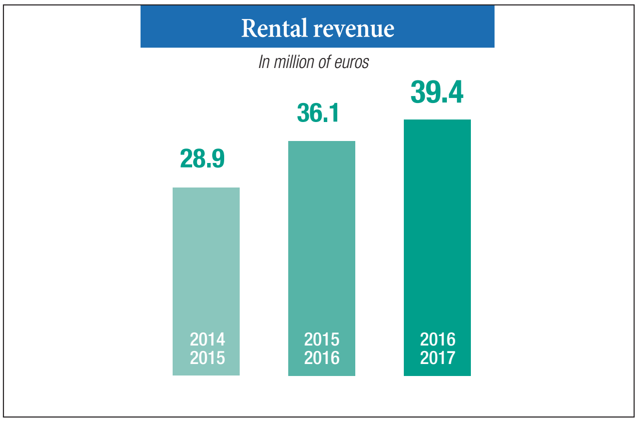
The **residential rental** segment mainly comprises the exclusive Monte-Carlo Bay and Balmoral residences. Three Sporting villas have been commissioned since 2014/2015. Each villa has a private pool and represents an unprecedented property development in the Principality of Monaco, surrounded by luscious vegetation and shaded by stone pines, cypresses, Atlas cedars and magnificent palm trees.

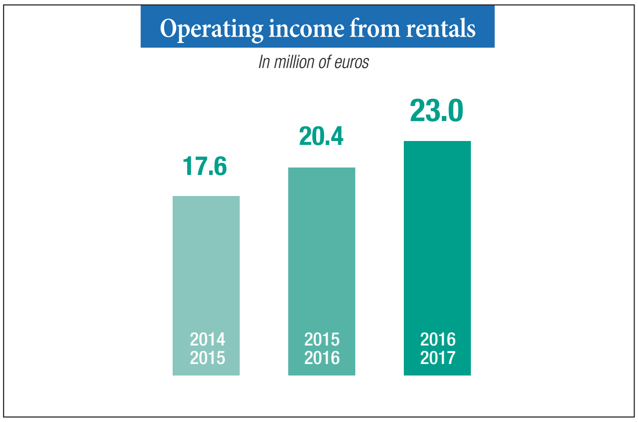
Residential rental revenue amounted to €18.4 million for fiscal 2016/2017, compared to €17.1 million for fiscal 2015/2016, up €1.3 million due to the full-year rental of the third villa, and the standard yearly rent indexing.

For the **rental sector as a whole,** operating income before depreciation and amortization amounted to €35.2 million for fiscal 2016/2017, compared to €32.3 million the previous year, up by €2.9 million.

Depreciation and amortization charges for the rental sector stood at €12.2 million for fiscal 2016/2017, compared to €11.9 million the previous year.

Taking into account the depreciation and amortization charge, operating income for the rental sector stood at €23 million, compared to €20.4 million the previous year, for an increase of €2.6 million.





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3.1.3 2016/2017 consolidated earnings and other financial aggregates

The table below presents the S.B.M. Group's consolidated statement of income for the years ended March 31, 2016 and March 31, 2017:

CONSOLIDATED STATEMENT OF INCOME

(in thousands of euros)	2015/2016 Fiscal year	2016/2017 Fiscal year
Revenue	**461,386**	**458,832**
Cost of goods sold, raw materials & other supplies	(49,604)	(49,437)
Other external charges	(122,079)	(120,293)
Taxes and similar payments	(34,086)	(31,990)
Wages and salaries	(232,644)	(236,623)
Depreciation and amortization	(50,963)	(49,968)
Other operating income and expenses	(3,035)	(3,342)
Operating income	**(31,026)**	**(32,821)**
Income from cash and cash equivalents	515	151
Gross finance costs	(1,130)	84
Net finance costs	**(615)**	**235**
Other financial income and expenses	579	462
Income tax expense		
Net income/(loss) of associates	1,988	(4,171)
Consolidated net income	**(29,074)**	**(36,295)**
Non controlling interests (minority shares)	(74)	(85)
CONSOLIDATED NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	**(29,147)**	**(36,380)**
Average number of shares issued	24,516,661	24,516,661
Net earnings per share *(in euros)*	(1.19)	(1.48)
Net diluted earnings per share *(in euros)*	(1.19)	(1.48)

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	2015/2016 Fiscal year	2016/2017 Fiscal year
Consolidated net income	(29,074)	(36,295)
Items that will not be reclassified subsequently to profit or loss		
◆ Actuarial gains and losses on employee benefits (IAS 19 revised)	(3,487)	(960)
◆ Share of profit/(loss) of associates	10	(20)
Items that may be reclassified subsequently to profit or loss		
◆ Gains and losses on the remeasurement of available-for-sale financial assets (IAS 39)		
◆ Share of profit/(loss) of associates	9	128
TOTAL COMPREHENSIVE INCOME	**(32,542)**	**(37,147)**
Of which attributable to the owners of the parent company	(32,614)	(37,229)
Of which attributable to non controlling interests (minority interests)	72	82

“Other external charges” decreased by €1.8 million due to the reduction of general operating costs.

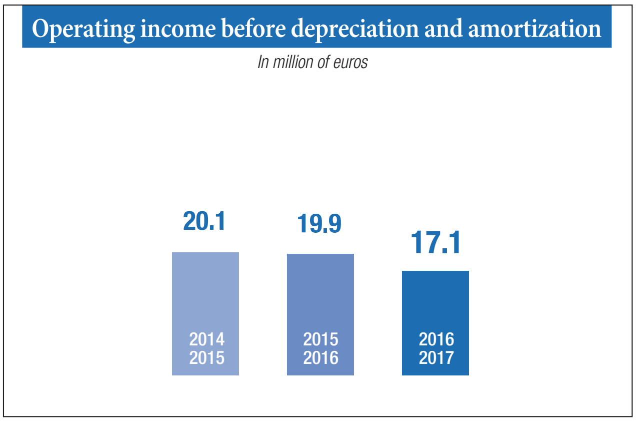
The change in “Taxes and similar payments” is attributable to the decrease in the licensing fee on gross gaming receipts, because of the drop in gaming activity during the year.

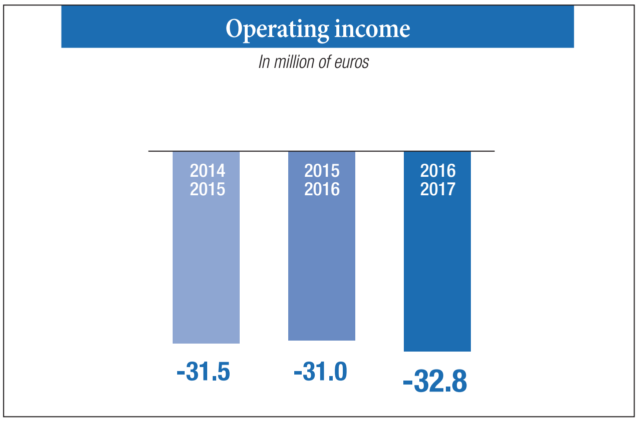
The €4.0 million increase for “Wages and salaries” was primarily due to:

- impact of the change to fixed compensation for restaurant and bar staff who previously received 15% of the service paid, generating a €3.5 million rise in wages and salaries and revenue;
- other changes in wages and salaries in the hotel sector arising from development of the business and personnel, for a net increase of €2 million;
- net savings of €2.2 million in wages and salaries in the gaming sector under the combined impact of:
  - an additional cost generated by the application of the new slot machine collective agreement as of April 1, 2016, for an increase of €3.7 million,
  - the absence of certain provisions recorded in 2015/2016 with respect to new table game and slot machine collective agreements, which had represented a cost of €6.9 million,
  - favorable impacts arising from the new table game and slot machine collective agreement, which generated savings of €0.9 million for fiscal 2016/2017,
  - the negative impact of certain provisions and indemnities paid during the year in the amount of €1.9 million;
- an increase in wages and salaries in the other sectors for €0.7 million.

Lastly, “Depreciation and amortization” fell by €1.0 million. Depreciation and amortization in the hotel sector declined by €2.1 million, following the absence of the €1 million charge recorded in fiscal 2015/2016 due to the revised Hôtel de Paris depreciation schedule.

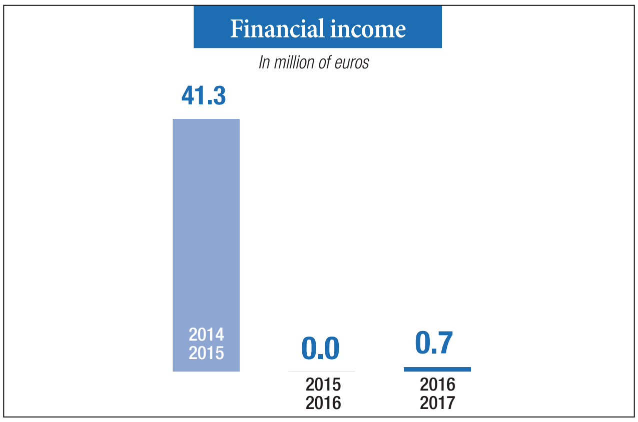
The S.B.M. Group’s **operating loss** stood at -€32.8 million, compared to -€31.0 million for the previous year.

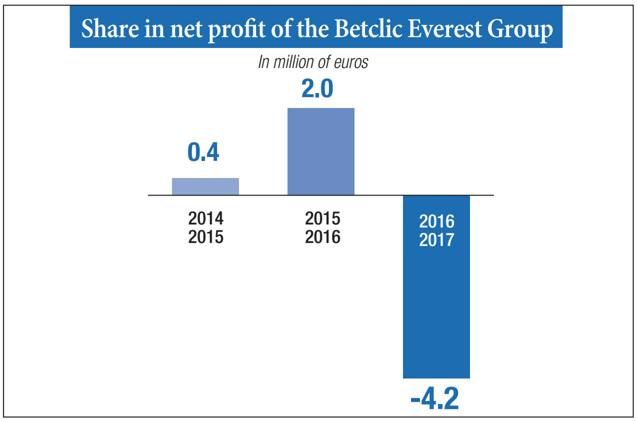




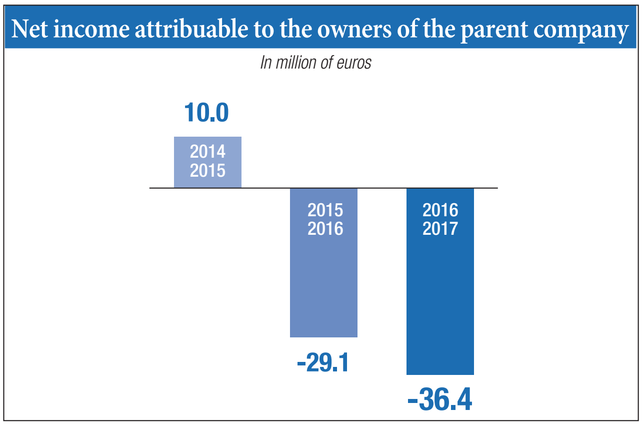
Financial income for fiscal 2016/2017 posted a profit of €0.7 million, compared to break-even for the previous year. The improvement in financial income is related to the favorable trend in the fair value of interest rate hedging instruments, while investment income declined at the end of the year.

Lastly, **the equity-accounting consolidation of Betclic Everest Group,** an on-line gaming group in which S.B.M. Groups has a 50% stake, requires that 50% of its net income be considered for the period in question, for a negative share of €4.2 million, compared to a profit of €2.0 million for fiscal 2015/2016. In fact, even though Betclic Everest Group has benefited from a 16% rise in gross gaming revenues, with the opening of new markets and the favorable impact of the UEFA European Championship, the substantial increase in taxes and marketing costs arising from the aforementioned sporting event generated a sharp decline in net profit for these activities in relation to last year.



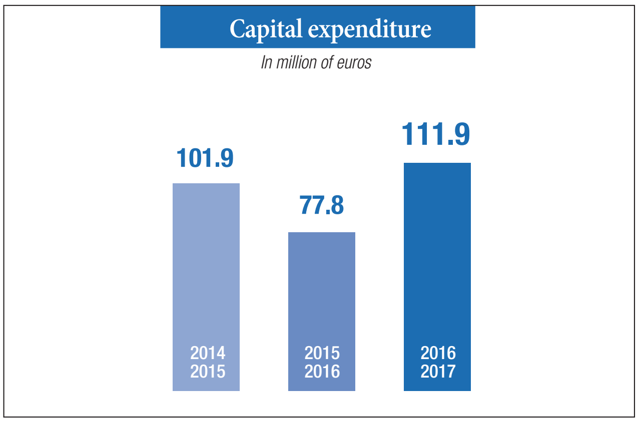


The **consolidated net loss attributable to the owners of the parent company** stood at -€36.4 million for fiscal year 2016/2017, compared to a loss of -€29.1 million for fiscal 2015/2016.



Cash from operations amounted to €16.4 million for fiscal 2016/2017, compared to €23.8 million the previous year. After taking into account the favorable trend in the working capital requirement in the amount of €1.4 million, net cash flows from operations totaled €18.2 million for fiscal 2016/2017, compared to €66.7 million for fiscal 2015/2016. In fiscal 2015/2016, the trend in the working capital requirement had been largely more favorable, amounting to €43.2 million, due to the collection of leasehold rights.

In addition, the continued roll-out of the **investment** program represented a cash outflow of €111.9 million for fiscal 2016/2017 with respect to acquisitions of property, plant and equipment, intangible assets and long-term investments, compared to €77.8 million the previous year. After taking into account the gains on asset disposals, net cash flow used in investing activities amounted to €111.3 million for fiscal 2016/2017, compared to €67.1 million the previous year, there being no change in loans and advances granted.



As of March 31, 2017, the S.B.M. Group's **net cash position** was positive at €94 million, compared to €187 million year on year.

To secure the funding of its two major investment projects – extensive renovation of the Hôtel de Paris and One Monte-Carlo real estate development – the Group finalized its bank financing on January 31, 2017. Totaling €230 million, these credit facilities will enable draw-downs at the Group's initiative until January 31, 2019. The sums used at this date will then be gradually repaid, the last instalment being set for January 31, 2024.

There were no draw-downs under these facilities as of March 31, 2017.

3.1.4 Parent company results of Société des Bains de Mer

The financial statements of Société des Bains de Mer, the Parent Company, present the following results:

Société des Bains de Mer – parent company *(in million of euros)*	2014/2015	2015/2016	2016/2017	Variation
Revenue	**396.4**	**399.4**	**394.9**	**(4.5)**
Operating income/(loss)	**(35.2)**	**(40.0)**	**(42.0)**	**(2.0)**
Financial income/(loss)	6.0	7.7	8.8	1.1
Exceptional income/(loss)	29.3	(6.1)	(3.7)	2.4
NET INCOME/(LOSS)	**0.1**	**(38.3)**	**(36.8)**	**1.5**

REVENUE

Revenue amounted to €394.9 million for fiscal 2016/2017, compared to €399.4 million the previous year, for a decrease of €4.5 million.

OPERATING INCOME

Operating income was negative at -€42 million, compared to a loss of -€40 million in 2015/2016. The decline was primarily due to lower gaming revenue, the other sectors contributing more favorably to operations.

FINANCIAL INCOME OR LOSS

Financial investment income and borrowing costs are recorded in financial income or loss.

The item also includes the financial income generated by the financing of certain subsidiaries, such revenue being cancelled in the consolidated financial statements as part of the elimination of the S.B.M. Group's inter-company transactions.

NET EXCEPTIONAL ITEMS

A net exceptional loss of -€3.7 million was recorded for fiscal 2016/2017, up by +€2.4 million over the previous year. The improvement is essentially due to the reduction of the provision for impairment regarding the Company's receivable from the Luxembourg subsidiary Monte-Carlo SBM International, the latter's net loss being lower in relation to the previous year.

NET INCOME OR LOSS

The parent company net loss for fiscal 2016/2017 amounted to -€36.8 million, compared to a net loss of -€38.3 million the previous year, for an improvement of €1.5 million.

3.1.5 Article 23 of the Order of March 5, 1895

We hereby inform you of the transactions directly or indirectly involving your Company and its Directors during 2016/2017 fiscal year, or between your Company and its affiliated or non-affiliated companies with common Directors:

- transactions involving the affiliates of your Company:
  - Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.),
  - Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL),
  - Société Anonyme Monégasque Hôtelière du Larvotto (S.H.L.),
  - Société Financière et d'Encaissement (S.F.E.),
  - Société Civile Particulière Soleil du Midi,
  - Société des Bains de Mer, USA, Inc.,
  - SARL Café Grand Prix,
  - Société Betclic Everest Group.
- and:
  - business relations with Société Monégasque pour l'Exploitation du Tournoi de Tennis (S.M.E.T.T.), in which the Company is a shareholder,
  - the providing of parking spots and a display window on an arm's length basis with Société Anonyme Monégasque Dotta Immobilier, whose Chairman and C.E.O. is Mr. Michel Dotta, for non-material amounts.

3.2 Capital expenditure and future outlook

3.2.1 Capital expenditure

In recent years, the S.B.M. Group has pursued an active capital expenditure program, for a total of €329.9 million in the last three fiscal years, of which €147.8 million in fiscal 2016/2017 alone, as shown in the table below, which groups together all capital expenditure, regardless of whether the projects have been completed and commissioned or are still in progress.

Capital Expenditure *(in thousands of euros)*	**Year ended 03/31/2015**	**Year ended 03/31/2016**	**Year ended 03/31/2017**
Gaming Sector	3,399	11,916	5,518
Hotel Sector	32,700	31,060	87,294
Rental Sector	49,032	32,496	45,778
Other Activities	14,966	6,573	9,206
TOTAL	**100,097**	**82,045**	**147,795**

GAMING SECTOR

Capital expenditure in the gaming sector amounted to €20.8 million over the last three fiscal years.

In fiscal 2016/2017, the S.B.M. Group pursued its slot machine pool renewal policy, with total capital expenditure of €5.1 million for the last three fiscal years. The objective is to maintain a competitive edge in terms of gaming offers and innovation and match the latest trends.

Over the last three years, the S.B.M. Group also carried out renovation work at two of its establishments, the Casino Café de Paris and the Sun Casino.

The main capital expenditure in fiscal 2015/2016 involved the program to fully refurbish and expand the Casino Café de Paris, particularly with the creation of a new 350 m^2 outside terrace located on the side of Avenue des Spélugues. The space will enable the installation of new machines accessible to all customers, and particularly smokers, and feature a bar and catering service.

The renovation program primarily focused on:

- the construction of a new centrally located bar, a key architectural feature representing a striking focal point for the establishment;
- the creation of a convivial dining area, previously not offered, that required the installation of a kitchen in the basement;
- a major architectural improvement to the existing outside terrace, with the additional of glass canopies;
- a full technical overhaul of all the installations.

All these new installations, and particularly the new terrace, were opened to the public on December 4, 2015.

Furthermore, while the number of machines installed at the Café de Paris Casino did not significantly change, the completion of this works program has enabled the establishment to extend its games offering with table games (American games). It now provides a complete offering in terms of events and a special environment that is highly popular with the clientele.

A total of €10.8 million was invested in this project over the last three fiscal years.

During fiscal 2016/2017, the Sun Casino was refurbished in the spirit of Las Vegas. The layout was revamped: red-toned decor, refurbished bar, extended dining area, everything was done to create an American gaming atmosphere for clients. The games offering was also enhanced with slot machines and Craps tables exclusive to the Côte d'Azur.

This project's capital expenditure, excluding the slot machines, totaled €1.6 million in fiscal 2016/2017.

HOTEL SECTOR

Capital expenditure in the hotel sector amounted to €151.1 million over the last three fiscal years, of which €87.3 million in fiscal 2016/2017.

The extensive renovation project of the Hôtel de Paris (see Note 3.2.2. below – "Main ongoing projects and future outlook") itself represented more than three quarters of the total capital expenditure in the hotel sector in the last three years.

The other investments in this hotel investment program involved more standard work procedures. However, a few noteworthy projects were undertaken during this period.

In fiscal 2014/2015 and 2015/2016, the rooms and suites of the Beaumarchais wing at the Hôtel Hermitage and the Louis XV – Alain Ducasse restaurant at the Hôtel de Paris were refurbished.

The Thermes Marins Monte-Carlo also underwent a major renovation, which required the establishment to close for nine months in fiscal 2014/2015. The overhaul covered two of the four operational floors where the pool, fitness, catering, boutique and water therapy activities are located and a technical upgrade, for a total of €9.9 million. The objective of this renovation was to offer an upscale health and wellbeing center to an ever more demanding clientele and to position the establishment in a health offering that corresponds to the Principality of Monaco's development plan.

In fiscal 2016/2017, the most emblematic project, undertaken in October 2016, involved Jimmy'z Monte-Carlo. This establishment, which has been a key fixture for more than 45 years, is ready to write a new chapter in its history thanks to an extensive transformation. The first new feature is a luxurious garden situated at the entrance that night owls will now walk through to access the Club. This is followed by the new bar area set up on the lagoon that creates an aquatic setting for the newly installed tables and a unique atmosphere. The interior design has been transformed and incorporates audio, video and light technologies to showcase the legendary creativity of Jimmy'z Monte-Carlo and the stars who have visited and performed there. After nine months of renovations, the most iconic club on the French Riviera reopened at the end of June 2017.

The significant capital expenditure in the hotel sector in recent years will provide the S.B.M. Group with an offering tailored to its clientele. The Group was nevertheless convinced that this approach had to be strengthened and the extensive renovation of the Hôtel de Paris is the best illustration.

RENTAL SECTOR

Major capital expenditure has also been incurred in the rental sector, amounting to €127.3 million over the last three fiscal years, of which €45.8 million in fiscal 2016/2017, in order to enhance the value of real estate assets, while attracting and strengthening the loyalty of a new international clientele in the Principality of Monaco.

This strategy, initiated in October 2005 with the opening of the Monte-Carlo Bay Residence (24 luxury apartments), and confirmed in May 2012 with the opening of the Balmoral Residence (7 apartments with a hotel service offering an exceptional view of Port Hercules), has grown in importance with the two aforementioned projects that were initiated in these last three fiscal years.

The Villas du Sporting project was finalized in fiscal 2014/2015. Ideally located in the Sporting Monte-Carlo peninsula, the three Villas du Sporting represent an absolutely unprecedented real estate development in Monaco, surrounded by luxurious vegetation, and shaded by stone pines, cypresses, Atlas cedars and magnificent palm trees. Each villa has a private swimming pool and direct access to the sea. The project represents a total investment of €31.8 million, including €22.2 million for the last three fiscal years. The first two villas were leased in fiscal 2014/2015 and the third in the first half of 2015/2016.

With respect to the real estate development project in the heart of Monaco described in Note 3.2.2 below, the expenses incurred during the last three fiscal years amounted to €116.7 million, of which €44.9 million in fiscal 2016/2017.

OTHER ACTIVITIES AND COMMON SERVICES

Capital expenditure in other activities and common services amounted to €30.7 million over the last three fiscal years, of which €9.2 million in fiscal 2016/2017.

Completion of the real estate project for the Sporting d'Hiver site necessitated the transfer of the S.B.M. Group's head office functions that had been located at the complex. The Group's administrative and support functions (General Management, Strategic Marketing and Communication, Human Resources, Construction and Real Estate, Finance and Management, IT, Purchasing, etc.) were thus grouped on one site, in the Aigue-Marine building located in Monaco's Fontvieille district. Established on five levels, four of which are owned by the S.B.M. Group and the last leased, this head office transfer required a major conversion. The total project amounted to €14.1 million, of which €10.8 million over the last three fiscal years. The team transfers were finalized in the summer of 2014, uniting all the teams for the first time on a single site, rather than the previous four sites.

The other capital expenditure also involves the software and management systems implemented by the S.B.M. Group support functions such as the Human Resources Department (management of time and activities, payroll) and the IT Department (purchasing of licenses, etc.).

The most remarkable project initiated in fiscal 2016/2017 involves the site of the Monte-Carlo Country Club which every year hosts one of the most emblematic tournaments on the professional tennis circuit, the Monte-Carlo Rolex Masters. The aim of the 3-year investment program is to provide the site with facilities to secure its particular status vis-a-vis players and international sports bodies and to pursue its development, thus making it one of the most popular tournaments among the world's best players and the general public.

3.2.2 Main ongoing projects and future outlook

PURSUIT OF THE CAPITAL EXPENDITURE PROGRAM

The projects under way as of March 31, 2017 will continue in 2017/2018 as part of the investment program defined by the S.B.M. Group and in line with the policy adopted in previous years.

The main ongoing projects are as follows:

GAMING SECTOR

The main projects undertaken involve the renewal of the slot machine pool that has received constant attention in order to propose the most innovative and attractive client offering. The other projects under way at last year's closing date, such as the Sun Casino refurbishment, will steadily continue.

HOTEL SECTOR

As mentioned previously, the main project in the hotel sector is the extensive renovation of the Hôtel de Paris.

Renovation will concern the entire establishment, with restructuring of both public areas and service facilities. The hotel's overall accommodation capacity will remain virtually the same, but the size of the rooms and suites and the proportion of suites will increase.

The program's other key features are as follows:

- enhanced use of the roof space to host a new fitness, spa and pool area reserved for hotel clients, prestigious suites and a "roof-top villa" with a private garden and pool;
- creation of a garden courtyard in the center of the establishment;
- development of boutiques;
- opening of the Bar Américain and the future restaurant on the south terrace offering a 180° view spanning from the Casino de Monte-Carlo to Port Hercule;
- adaptation to state-of-the-art technologies and a direct underground link with the reception and conference facilities of the future One Monte-Carlo complex.

These renovations and creations will ensure that the Hôtel de Paris continues to satisfy the increasingly demanding requirements of luxury hotel clientele.

The project, which is scheduled to last four years, began with the total demolition, excavation and reconstruction of the Rotonde and Alice wings. After more than two years of work, these two wings were rebuilt and gradually marketed as from the end of May 2017. The first rooms and suites were offered to clients during the Formula 1 Grand Prix. On the 8th floor of the Rotonde wing, the Grill restaurant was also opened for this event with a new configuration, i.e. a more contemporary decor, the Winston Churchill private lounge and an extended outside terrace with a wider view. In 2017/2018, the Hôtel de Paris' offering will largely surpass the reduced capacity (around 40 rooms) that it had proposed since the end of December 2014.

It is important to remember that the decision was made to keep the establishment partially open throughout the refurbishment to limit to a maximum the project's impact on employees and have an accommodation capacity for regular playing clients.

The second phase of the renovations, involving the Beaux-Arts and Casino wings, has now begun. The historic facade of the Hôtel de Paris opposite the Café de Paris Monte-Carlo will remain intact. The legendary lobby and the cellar, as well as the emblematic establishments such as the Bar Américain, the Salle Empire, and the Louis XV - Alain Ducasse, will be maintained.

The cost of the Hôtel de Paris renovation for the period 2014-2018 is around €300 million, including the estimated operating losses.

As of March 31, 2017, a total of €122.3 million had already been invested in this project, of which €108.5 million in the last three fiscal years.

The project is on schedule and complies with the allocated budget.

RENTAL SECTOR

The main project undertaken in the rental sector is the One Monte-Carlo real estate development, located in the heart of Monaco on the site previously occupied by the Sporting d'Hiver. Its main features are described below.

Comprising seven buildings, the One Monte-Carlo real estate complex forms part of an urban planning project involving a mixed real estate program combining luxury stores, upscale residences, offices and leisure and cultural areas. It will therefore include 4,600 m^2 of high-end boutiques on three floors (basement, ground floor and mezzanine), upscale multi-storey residences covering 12,900 m^2, 2,500 m^2 of office space, 2,500 m^2 of conference rooms equipped with multimedia technologies, an exhibition room of 400 m^2 and 350 parking spaces.

One of the priority tasks assigned to the architect was the need to design a complex that will redevelop the district by creating a friendly place for Meeting, Incentives, Conferences and Events (MICE) that is exemplary in terms of green urban planning and sustainable development: 30% of additional space accessible to the public will be created on the landscaped site, with a new pedestrianized street linking avenue des Beaux-Arts to Jardins Saint-James.

The total cost of this major real estate and urban planning project in the heart of Monaco is between €370 and €390 million over the 2013-2018 period.

As of March 31, 2017, a total of €168 million had already been invested in the project, including:

- design costs and professional fees for €47.4 million;
- construction and development costs for the Monte-Carlo Pavilions in the Jardins des Boulingrins for €22.1 million;
- costs to purchase leasehold rights for €33 million;
- construction costs for €51 million.

The share of these investments for fiscal 2016/2017 amounted to €44.9 million.

Following the demolition of the former building at the start of fiscal 2015/2016, the excavation work continued at a satisfactory pace and was completed in fiscal 2016/2017. The building's first stone was laid on July 5, 2016 by H.S.H. the Prince of Monaco and the construction work was carried out at a steady pace. All the infrastructures should be finalized by the end of the summer in 2017. The construction of the superstructures began in May 2017 and should be completed in March 2018.

Given these various projects, the estimated capital expenditure for fiscal 2017/2018 should amount to approximately €220 million, of which nearly €170 million for the two major projects described above.

OUTLOOK

The extensive refurbishment of the Hôtel de Paris and the One Monte-Carlo real estate development in the heart of Monaco are the two main components of the S.B.M. Group's development strategy.

With these projects, the S.B.M. Group aims to generate an additional annual operating income before depreciation and amortization, exceeding €50 million by 2019.

Nevertheless, these projects represent unprecedented investment effort, with a cost estimated at between €500 and €540 million over the period 2015-2018, excluding operating losses related by the partial closing of the Hôtel de Paris.

In this context, the aim of the S.B.M. Group's investment policy will be to guarantee services for its clients in accordance with the best market standards, while favoring more profitable projects.

4

SYNTHESIS OF 2016/2017 FINANCIAL STATEMENTS AND STATUTORY AUDITORS AND CONTRACTUAL AUDITOR'S REPORTS

Complete Parent Company Financial Statement and Consolidated Financial Statement (annual financial statements and notes associated to financial statements) are presented in Chapter 20.3 of the "Document de Référence" filed in the French language on July 10, 2017 with the French Financial Markets Authority *(Autorité des Marchés Financiers).*

The following information relates to synthesis financial statements (statement of financial position, statement of income, cash flow statement, statement of changes in equity), and associated Statutory Auditors and Contractual Auditor's Reports.

4.1 Annual financial statements in accordance with Monegasque accounting standards – synthesis

4.1.1 Balance sheet as of March 31, 2017 – in accordance with generally accepted accounting principles in Monaco

ASSETS

	2016/2017 Fiscal year			2015/2016 Fiscal year
(in thousands of euros)	Gross	Depreciation, amortization and provisions	Net	Net
CURRENT ASSETS OR ASSETS	**179,028**	**47,465**	**131,563**	**224,666**
Recoverable in less than 1 year				
Cash in hand	19,734		19,734	19,539
Banks: deposit on demand	22,183		22,183	2,671
Other assets on demand				54
Banks: time deposits	42,003		42,003	95,000
Marketable securities	6,352		6,352	52,557
Operating receivables	9,492	1,724	7,768	8,792
Other receivables	18,017	369	17,647	10,472
Investment accounts				
Affiliate accounts	56,498	45,371	11,127	31,264
Assets withheld	4,750		4,750	4,318
INVENTORY	**10,985**	**22**	**10,963**	**10,468**
ADVANCE PAYMENTS OR GUARANTEES	**568**		**568**	**505**
Payments on account on orders	568		568	505
ASSETS TO MATURE IN OVER 1 YEAR				
Loans				
NON-CURRENT ASSETS	**722**		**722**	**833**
Deposits and guarantees paid	722		722	833
PARTICIPATING INTERESTS	**289,654**	**53,508**	**236,146**	**235,790**
Affiliates	289,550	53,493	236,057	235,718
Other participating interests	104	15	89	72
FIXED ASSETS	**1,432,676**	**747,124**	**685,553**	**587,164**
Intangible assets:				
◆ Concessions, patents & similar	31,133	25,813	5,319	5,357
◆ Leasehold rights	18	18		
◆ Assets in progress	1,495		1,495	919
Property, plant & equipment:				
◆ Land	84,411		84,411	84,411
◆ Revaluation reserves as of 03/31/1979	35,611	35,611		
◆ Land development	2,491	2,491		
◆ Buildings	756,341	470,974	285,367	307,276
◆ Industrial and technical plant	183,962	157,037	26,925	29,440
◆ Other PP&E	66,659	55,179	11,480	12,523
◆ PP&E in progress	270,554		270,554	147,238
Total assets	**1,913,634**	**848,119**	**1,065,515**	**1,059,426**
CHARGES TO BE AMORTIZED	**3,847**		**3,847**	**56**
ACCRUED INCOME & DEFERRED CHARGES	**5,953**		**5,953**	**5,895**
Prepaid expenses	5,865		5,865	5,842
Other suspense accounts	88		88	54
Foreign exchange differences	**0**		**0**	
GRAND TOTAL	**1,923,434**	**848,119**	**1,075,315**	**1,065,377**
CLEARING ACCOUNTS				
Directors' shares held as management			7	7
Deposits and guarantees given (BEG operations)			60,343	107,681
Deposits received			18,098	5,160
Other guarantees received			26,631	76,181
Trade payables			260,112	180,865
Third-party receivables for bank guarantees given				
Opening of credit facility and confirmed unused overdrafts			235,000	5,000
Variable-rate hedge			100,000	100,000
			700,190	**474,894**

LIABILITIES & STOCKHOLDERS' EQUITY

(in thousands of euros)	2016/2017 Fiscal Year	2015/2016 Fiscal Year
LIABILITIES PAYABLE IN LESS THAN 1 YEAR	**170,607**	**137,017**
Bank overdrafts		
Bills payable	16,954	6,955
Operating liabilities	77,384	60,959
Affiliate accounts	19,678	17,007
Employee accounts	29,599	31,180
Borrowings	914	477
Other liabilities	3,664	4,898
Liabilities withheld	22,415	15,540
ADVANCE COLLECTIONS OR GUARANTEES	**23,717**	**24,225**
Advances received	15,006	15,901
Deposits and guarantees received	8,711	8,324
LIABILITIES TO MATURE IN OVER 1 YEAR	**31,202**	**30,569**
Operating liabilities		
Liabilities withheld	31,202	30,569
PROVISIONS FOR CONTINGENCIES	**5,184**	**4,547**
Other provisions for contingencies	5,184	4,547
ACCRUED LIABILITIES & DEFERRED INCOME	**143,840**	**131,441**
Revenues to be recorded in future fiscal years	136,708	123,915
Other accrued liabilities and deferred income	330	149
Foreign exchange differences	40	35
Investment grant		
◆ *gross*	*17,535*	*17,535*
◆ *amortization*	*(10,772)*	*(10,193)*
STOCKHOLDERS' EQUITY		
Common stock, additional paid-in capital and reserves	**430,791**	**430,791**
Common stock: 24,516,661 shares of €1	24,517	24,517
Additional paid-in capital on shares	214,650	214,650
Revaluation reserves:		
◆ Revaluation surplus 03/31/1990	167,694	167,694
◆ Revaluation reserve 03/31/1979	23,931	23,931
Reserves:	**162,243**	**162,243**
◆ Statutory reserve	2,452	2,452
◆ Optional reserve	148,799	148,799
◆ Contingency reserve	10,992	10,992
◆ Long-term capital gains		
Results:	**107,732**	**144,545**
◆ Retained earnings	144,545	182,862
◆ Net income for the period	(36,814)	(38,317)
Total stockholders' equity	**700,765**	**737,579**
GRAND TOTAL	**1,075,315**	**1,065,377**
CLEARING ACCOUNTS		
Directors' shares held as management	7	7
Deposits and guarantees given (BEG operations)	60,343	107,681
Deposits received	18,098	5,160
Other guarantees received	26,631	76,181
Trade payables	260,112	180,865
Third-party receivables for bank guarantees given		
Opening of credit facility and confirmed unused overdrafts	235,000	5,000
Variable-rate hedge	100,000	100,000
	700,190	**474,894**

4.1.2 Statement of income – in accordance with generally accepted accounting principles in Monaco

(in thousands of euros)	2016/2017 Fiscal Year	2015/2016 Fiscal Year
MAIN ACTIVITY		
Gaming receipts	209,841	223,912
Services rendered	191,122	181,788
Sales of bought-in goods	6,144	6,500
Other receipts	6,303	3,309
Less: intra-group transfers	(12,585)	(12,815)
Total income from main activity	**400,825**	**402,694**
To be deducted:		
◆ Cost of purchase of bought-in goods	(4,207)	(4,261)
◆ Purchases of raw materials and supplies	(139,322)	(137,392)
◆ License fees, duties and taxes other than income tax	(31,964)	(34,075)
◆ Wages and salaries	(201,220)	(194,691)
◆ Other operating expenses	(15,960)	(21,518)
◆ Depreciation and amortization charges	(43,730)	(44,990)
Provisions:		
◆ Charges	(18,509)	(16,925)
◆ Write-backs	9,839	11,155
Total expenses from main activity	**(445,072)**	**(442,698)**
Share in proceeds from joint ventures	(281)	(254)
Net income/(loss) from main activity	**(44,528)**	**(40,258)**
RELATED ACTIVITIES		
Financial net income/(loss)	(170)	558
Revenues from participating interests	9,012	7,238
Provisions:		
◆ Charges	(30)	(46)
◆ Write-backs	35	
Net income/(loss) from related activities	**8,848**	**7,749**
EXCEPTIONAL INCOME/(EXPENSES)		
Various exceptional expenses	609	(9,183)
Provisions:		
◆ Charges	(5,359)	(7,717)
◆ Write-backs	1,039	10,797
Net exceptional items	**(3,710)**	**(6,103)**
Losses from prior years	**2,577**	**295**
NET INCOME/(LOSS) FOR THE PERIOD	**(36,814)**	**(38,317)**

4.1.3 Statutory Auditors' Report

Year ended March 31st, 2017

André Garino
Expert-Comptable
2, rue de la Lüjerneta
98000 Principauté de Monaco

Louis Viale
Expert-Comptable
12, avenue de Fontvieille
98000 Principauté de Monaco

Dear Shareholders,

In accordance with the legal requirements in article 25 of the law n° 408 of January 20th, 1945 and with the terms of our appointment in accordance with article 8 of the aforementioned law and the annual general shareholder meeting held on September 19th, 2014 for the years 2014/2015, 2015/2016 and 2016/2017, we submit to you our report on the Financial Statements for the year ended March 31st, 2017.

The Financial Statements and other internal documents approved by the Board of Directors were made available for the purpose of our audit in a timely manner.

Our audit, which was designed to allow us to express an opinion on these Financial Statements, was performed in accordance with professional auditing standards. It includes an examination of the balance sheet as of March 31st, 2017 and of the Statement of Profit and Loss for the year 2016/2017.

The total balance sheet is €1,075,315 thousand. The net loss for the fiscal year ending March 31st, 2017, is €36,814 thousand. The Shareholders' equity is worth €700,765 thousand.

These documents were prepared under the same accounting principles and methods as last year.

We examined the various components of the assets and liabilities together with methods used for their valuation and the matching of revenues and expenses.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require us to plan and perform the audit to obtain a reasonable assurance that the Financial Statements are free of material misstatement.

An audit requires examining the evidence supporting the amounts and disclosures in the Financial Statements, on a test basis or by other selection methods. It also includes assessing the assumptions made by the management regarding the accounting policies and estimates as well the as the overall presentation of the Financial Statements.

In our opinion, the Financial Statements attached to this report and submitted to your approval give a true and fair view of the company's position and its assets and liabilities as of March 31st, 2017 and the result of the transactions for the twelve months then ended. The Financial Statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

We also examined the note to the Financial Statements included in the Board of Directors'report, the proposed allocation of the year net income and the compliance with legal and statutory provisions applying to the running of the Company. We do not have any further comments.

Monaco, June 30th, 2017
The Statutory Auditors

André GARINO Louis VIALE

4.1.4 Statutory Auditor's Special Report

Year ended March 31st, 2017

André Garino
Expert-Comptable
2, rue de la Lüjerneta
98000 Principauté de Monaco

Louis Viale
Expert-Comptable
12, avenue de Fontvieille
98000 Principauté de Monaco

Dear Shareholders,

In accordance with the legal requirements of the article 24 of the Law n° 408 dated January 20th, 1945, we are submitting you a report on the transactions covered by the article 23 of the Sovereign Ordinance dated March 5th, 1895, for the year ending March 31st, 2017 with respect to the shareholders 'meetings held in that period.

OPERATIONS SPECIFIED IN THE ARTICLE 23 OF THE SOVEREIGN ORDINANCE OF MARCH 5TH, 1895

We remind you that this involves all businesses or markets (transactions) implying a series of successive services (goods, supplies, etc.) similar in nature, conducted with the company or on its behalf, and in which a member of the Board of your Direction is either directly or indirectly interested.

The execution of these transactions during the fiscal year 2016/2017 is described in the special report disclosed by your Board of direction. We have checked the information included in that report and have no further remark.

GENERAL MEETINGS HELD DURING THE FISCAL YEAR

During the course of the fiscal year was held:

- on September 23th, 2016, the Annual General Meeting to approve the financial statements for the year ending March 31st, 2016 and to reappoint one Director.

For this General Meeting, we have checked:

- the respect of the legal and statutory requirements regarding its organization;
- the execution of the approved resolution.

We do not have any remark.

Monaco, June 30th, 2017
The Statutory Auditors

André GARINO **Louis VIALE**

4.2 Annual financial statements in accordance with French accounting standards – synthesis

4.2.1 Balance sheet as of March 31, 2017 – in accordance with generally accepted accounting principles in France

ASSETS

(in thousands of euros)	2016/2017 Fiscal year Gross	2016/2017 Fiscal year Depreciation, amortization and provisions	2016/2017 Fiscal year Net	2015/2016 Fiscal year Net
NON-CURRENT ASSETS				
Intangible assets	**32,646**	**25,832**	**6,815**	**6,276**
Concessions, patents & similar	31,133	25,813	5,319	5,357
Leasehold rights	18	18		
Intangible assets in progress	1,495		1,495	919
Property, plant & equipment	**1,400,030**	**721,292**	**678,738**	**580,889**
Land	122,513	38,102	84,411	84,411
Buildings	756,341	470,974	285,367	307,277
Industrial and technical plant	183,962	157,037	26,925	29,440
Other PP&E	66,659	55,179	11,480	12,523
PP&E under construction	255,586		255,586	143,959
Payments on account	14,968		14,968	3,279
Long-term investments	**295,482**	**53,877**	**241,604**	**241,025**
Participating interests	294,083	53,493	240,590	239,915
Other financial investments	8	8		
Loans	573	369	203	205
Other financial assets	818	7	811	905
Total non-current assets	**1,728,158**	**801,001**	**927,157**	**828,190**
CURRENT ASSETS				
Inventory	10,985	22	10,963	10,468
Payments on account – advances paid	568		568	505
Operating receivables	9,699	1,724	7,975	8,876
Other operating receivables	17,070		17,070	4,727
Other receivables	56,961	45,371	11,589	36,858
Cash and cash equivalent	90,282		90,282	169,856
Prepaid expenses	5,865		5,865	5,842
Total current assets	**191,429**	**47,117**	**144,311**	**237,132**
Deferred charges & unrealized foreign exchange losses	3,847		3,847	56
TOTAL ASSETS	**1,923,434**	**848,119**	**1,075,315**	**1,065,377**

LIABILITIES & STOCKHOLDERS' EQUITY

(in thousands of euros)	2016/2017 Fiscal year	2015/2016 Fiscal year
STOCKHOLDERS' EQUITY		
Common stock	24,517	24,517
Additional paid-in capital	214,650	214,650
Revaluation reserves	191,625	191,625
Statutory reserve	2,452	2,452
Long-term net capital gains reserve		
Contingency reserve	10,992	10,992
Optional reserve	148,799	148,799
Retained earnings	144,545	182,862
Net income/(loss)	(36,814)	(38,317)
Investment grants	6,763	7,342
Total stockholders' equity	**707,528**	**744,921**
PROVISIONS FOR CONTINGENCIES & LOSSES		
Provisions for contingencies	5,184	4,547
Provisions for losses	34,362	34,689
Total provisions for contingencies & losses	**39,546**	**39,236**
LIABILITIES		
Bank borrowings	292	
Other borrowings	9,333	8,801
Payments on account – advances received	15,006	15,901
Trade payables and related accounts	14,561	19,407
Tax and employee-related liabilities	72,850	73,166
Other operating liabilities	9,408	8,169
Amounts payable on PP&E	46,371	9,772
Other liabilities	23,671	22,054
Prepaid income	136,708	123,915
Total liabilities	**328,200**	**281,186**
Unrealized foreign exchange gains	40	35
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**1,075,315**	**1,065,377**

4.2.2 Statement of income – in accordance with generally accepted accounting principles in France

(in thousands of euros)	2016/2017 Fiscal year	2015/2016 Fiscal year
OPERATING INCOME		
Net revenues	394,852	399,384
Write-back of depreciation, amortization and provisions	9,839	11,155
Expense reclassifications	245	573
Other income	6,432	3,309
Total operating income	**411,368**	**414,421**
OPERATING EXPENSES		
Purchases of bought-in goods	(3,080)	(3,240)
Changes in inventory of bought-in goods	(1,125)	(1,021)
Purchases of raw materials and other supplies	(23,497)	(22,233)
Changes in inventory of raw materials and other supplies	1,627	944
Other purchases and external charges	(115,597)	(116,437)
Share in proceeds from joint ventures	(281)	(254)
Duties and taxes other than income tax	(31,925)	(34,017)
Wages and salaries	(141,482)	(134,978)
Employee welfare contributions and similar charges	(59,738)	(59,718)
Depreciation and amortization on fixed assets	(43,730)	(44,990)
Charges to provisions on current assets	(12,581)	(8,955)
Charges to provisions for contingencies and losses	(5,928)	(7,971)
Other charges	(15,983)	(21,515)
Total operating expenses	**(453,319)**	**(454,384)**
NET INCOME/(LOSS) FROM OPERATIONS	**(41,951)**	**(39,963)**
FINANCIAL INCOME		
From participating interests and marketable securities	9,012	7,238
Other interest and similar income	356	732
Foreign exchange gains	49	123
Net proceeds from sale of short-term investment securities	6	76
Write-back of provisions	35	
Total financial income	**9,459**	**8,169**
FINANCIAL EXPENSES		
Interest and similar charges	(554)	(293)
Foreign exchange losses	(26)	(80)
Net charges on sales of short-term investment securities		
Charges to provisions	(30)	(46)
Total financial expenses	**(611)**	**(419)**
NET INCOME/(LOSS) FROM FINANCIAL ITEMS	**8,848**	**7,749**
EXCEPTIONAL INCOME		
From non-capital transactions	188	268
From capital transactions	1,241	1,872
Write-back of provisions	1,039	10,797
Total exceptional income	**2,468**	**12,937**
EXCEPTIONAL EXPENSES		
On non-capital transactions	(36)	(87)
On capital transactions	(784)	(11,236)
Charges to provisions	(5,359)	(7,717)
Total exceptional expenses	**(6,178)**	**(19,040)**
NET EXCEPTIONAL ITEMS	**(3,710)**	**(6,103)**
CORPORATE INCOME TAX		
NET INCOME FOR THE PERIOD	**(36,814)**	**(38,317)**

4.2.3 Cash flow statement for the period ended March 31, 2017 – in accordance with generally accepted accounting principles in France

(in thousands of euros)	2016/2017 Fiscal year	2015/2016 Fiscal year
OPERATING ACTIVITIES		
Cash flow before disposal of fixed assets	12,017	18,003
Changes in working capital requirements	22,843	37,691
CASH FLOW FROM OPERATING ACTIVITIES	**34,859**	**55,694**
INVESTING ACTIVITIES		
Purchases of PP&E and intangible assets	(142,841)	(77,524)
Investment grants		
Changes in long-term investments and deferred charges	(9,677)	5,559
Proceeds from disposal of assets	661	1,239
Changes in amounts payable on PP&E	36,599	3,502
CASH FLOW USED IN INVESTING ACTIVITIES	**(115,258)**	**(67,224)**
FINANCING ACTIVITIES		
Draw-downs on credit facility	292	
Credit line repayments		(86)
Dividends paid		(3)
Share capital increase		
Changes in stable financing activities	531	1,102
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**824**	**1,013**
CHANGE IN CASH AND CASH EQUIVALENTS	**(79,574)**	**(10,518)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**169,856**	**180,373**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**90,282**	**169,856**

4.2.4 Contractual Auditor's and Statutory Auditors' Report on the financial statements prepared in accordance with French accounting regulations

Year ended March 31st, 2017

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

Louis Viale
12, avenue de Fontvieille
98000 Principauté de Monaco

André Garino
2, rue de la Lüjerneta
98000 Principauté de Monaco

To the Shareholders,

1. OPINION

We have audited the financial statements of Société des Bains de Mer et du Cercle des Étrangers à Monaco for the year ended March 31, 2017, comprising the balance sheet, income statement and cash flow statement, as well as the notes thereto which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company as of March 31, 2017 and of its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles in France.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Responsibility of the Contractual Auditor and Statutory Auditors for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the IESBA (International Ethics Standards Board for Accountants) Code of Ethics, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended March 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Responses as part of our audit
Impairment of SBM International securities and related receivables *(see 1.2 "Accounting principles" of Note 1 "Accounting policies" and Note 5 "Long-term investments" to the financial statements)*	
Via SBM International, the Company has an indirect 50% share in Betclic Everest Group (BEG). SBM International's securities amounted to €1.5 million and were fully impaired in the Company's financial statements for the year ended March 31, 2017. The receivables relating to these securities totaled €231.3 million as of that date and were impaired in the amount of SBM International's losses, i.e. €49 million. BEG is faced with various risks that could have a material impact on its value. Furthermore, its performance in 2016/2017 was down on prior years. Any impairment of BEG securities at SBM International due to these circumstances would have impacts on the impairment of the related receivables in the Company's financial statements. BEG's recoverable amount was estimated using the discounted cash flow method based on a three-year business plan, a ten-year extrapolation and a perpetual forecast value. The results of this discounted cash flow method were also compared with a valuation based on comparable market multiples. In this context, the verification that the SBM International securities and related receivables were correctly impaired, i.e. the recoverable amount of the securities and receivables largely exceeds the net carrying amount of said assets, is a key audit matter insofar as the key assumptions adopted in the discounted cash flow method rely heavily on management's judgment.	We assessed the competency of the expert that assisted management in estimating BEG's recoverable amount. In addition, we held discussions with management in order to understand the scope of this expert's involvement. With the help of our internal specialists, we carried out a critical analysis of: ◆ the models used for the Group's main entities (BetClic-Expekt-Everest and Bet-At-Home); ◆ the key assumptions used to calculate the discounted cash flows (long-term growth rate, forecast margin, discount rate); ◆ the market multiples used to assess the relevance of the estimates arising from the discounted cash flow method, by comparing these items with online gaming market practices and data. Furthermore, using the business plans and their extrapolations, we verified that the data entered into the models was consistent with BEG's organization, action plans and projects. Finally, we verified that the securities and receivables relating to SBM International's securities in the Company's financial statements were correctly impaired to take into account SBM International's negative equity.
Recognition of gaming revenue	
The Company's revenue totaled €394.9 million for the year ended March 31, 2017, and the gaming sector, which mainly includes table games and automatic machines, represented a significant proportion. We considered that the recognition of gaming revenue was a key audit matter for the following reasons: ◆ gaming transactions are characterized by the constant handling of chips and cash, as well as daily manual counts used to recognize revenue in the accounts, which could be conducive to fraud and create a risk concerning the completeness of the recorded transactions; ◆ revenue is a key performance indicator and the verification that controls are not overridden by management requires particular attention.	We assessed the appropriateness of the control procedures set up by the Company in order to cover the risks of material misstatement that we identified for gaming revenue. Accordingly, we verified the effectiveness of the relevant controls to cover the risks relating to manual counts and the recording of gaming transactions, mainly by: ◆ physically observing the procedures in gaming rooms; ◆ verifying, on a sampling basis, that these relevant controls are actually performed and their effectiveness. This work was supplemented by substantive tests designed to verify, based on a sampling from the accounting records, that these transactions were properly recorded in the correct amount. We also covered the risk that gaming revenue would not be recognized in full, by verifying that a sample of gaming transactions was recorded in the accounts.

4. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for supervising the Company's financial information preparation process.

The Board of Directors is responsible for approving the financial statements.

5. RESPONSIBILITY OF THE CONTRACTUAL AUDITOR AND STATUTORY AUDITORS FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6. SPECIFIC VERIFICATION

We have also verified the information pertaining to the Company that corresponds to the management report information contained in the registration document in accordance with professional practices in France. We have no comments to make on its fair presentation and consistency with the financial statements.

Neuilly-sur-Seine and Monaco, June 30th, 2017

The Contractual Auditor	*The Statutory Auditors*	
Deloitte & Associés		
François-Xavier AMEYE	**Louis VIALE**	**André GARINO**

4.3 Company results over the last five fiscal years

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
I - STOCKHOLDERS' EQUITY					
Common stock *(in thousands of euros)*	18,160	18,160	24,517	24,517	24,517
Number of ordinary shares	18,160,490	18,160,490	24,516,661	24,516,661	24,516,661
II - OPERATIONS AND INCOME FOR THE YEAR *(in thousands of euros)*					
Revenues before income tax	373,295	418,694	396,373	399,384	394,852
Net income/(loss) after income tax, but before depreciation, amortization & provisions	28,338	70,868	58,649	9,410	19,900
Net income/(loss) after income tax, depreciation, amortization & provisions	(30,387)	18,335	115	(38,317)	(36,814)
Dividends paid to stockholders	182	182			
III - PER SHARE DATA (1) *(in euros)*					
Net income/(loss) after income tax, but before depreciation, amortization & provisions	1,56	3,90	3,21	0,38	0,81
Net income/(loss) after income tax, depreciation, amortization & provisions	(1,67)	1,01	0,01	(1,56)	(1,50)
Dividend per share	0,01	0,01			
III - EMPLOYEES					
Average number of employees	3,172	3,252	3,274	3,195	3,224
Total payroll for the year (2) *(in thousands of euros)*	126,127	124,656	127,917	134,978	141,482
Employee benefits for the year (social security, social welfare, etc.) (3) *(in thousands of euros)*	56,100	58,339	58,681	59,718	59,738

(1) 6,356,171 shares have been issued following a capital increase with preferential subscription rights of shareholders as of March 24, 2015.
(2) Excluding funds and pools.
(3) Including retirement expenses.

4.4 Group consolidated financial statements – synthesis

4.4.1 Consolidated statement of financial position as of March 31, 2017

ASSETS

(in thousands of euros)	March 31, 2016	March 31, 2017
Goodwill	**32**	**32**
Intangible assets	**6,293**	**6,861**
Property, plant & equipment	**663,631**	**760,164**
Equity investments	82,673	99,257
Other non-current financial assets	23,268	23,441
Non-current financial assets	**105,941**	**122,698**
Non-current assets	**775,897**	**889,755**
Inventory	11,574	12,082
Trade receivables	28,552	23,565
Other receivables	21,232	31,113
Other financial assets	26	28
Cash and cash equivalents	187,546	94,850
Current assets	**248,930**	**161,637**
TOTAL ASSETS	**1,024,827**	**1,051,391**

LIABILITIES & EQUITY

(in thousands of euros)	March 31, 2016	March 31, 2017
Common stock	24,517	24,517
Additional paid-in capital	214,650	214,650
Reserves	465,711	436,563
Reserves related to the change in fair value of financial assets registred in equity	(19,937)	(140)
Consolidated net income for the period	(29,147)	(36,380)
Equity attributable to owners of the parent company	**655,794**	**639,211**
Non controlling interests (minority interests)	378	417
Equity	**656,171**	**639,628**
Financial liabilities and borrowings	5,315	4,721
Employee benefits	50,869	50,074
Provisions	2,498	4,364
Other non-current liabilities	120,003	130,716
Total non-current liabilities	**834,858**	**829,502**
Trade payables	26,451	20,424
Other payables	158,543	196,051
Provisions	585	251
Financial liabilities	4,392	5,164
Total current liabilities	**189,970**	**221,889**
TOTAL LIABILITIES & EQUITY	**1,024,827**	**1,051,391**

4.4.2 Consolidated statement of income

(in thousands of euros)	2015/2016 Fiscal year	2016/2017 Fiscal year
Revenue	**461,386**	**458,832**
Cost of goods sold, raw materials & other supplies	(49,604)	(49,437)
Other external charges	(122,079)	(120,293)
Taxes and similar payments	(34,086)	(31,990)
Wages and salaries	(232,644)	(236,623)
Depreciation and amortization	(50,963)	(49,968)
Other operating income and expenses	(3,035)	(3,342)
Operating income	**(31,026)**	**(32,821)**
Income from cash and cash equivalents	515	151
Gross finance costs	(1,130)	84
Net finance costs	**(615)**	**235**
Other financial income and expenses	579	462
Income tax expense		
Net income/(loss) of associates	1,988	(4,171)
Consolidated net income	**(29,074)**	**(36,295)**
Non controlling interests (minority shares)	(74)	(85)
CONSOLIDATED NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	**(29,147)**	**(36,380)**
Average number of shares issued	24,516,661	24,516,661
Net earnings per share *(in euros)*	(1.19)	(1.48)
Net diluted earnings per share *(in euros)*	(1.19)	(1.48)

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	2015/2016 Fiscal year	2016/2017 Fiscal year
Consolidated net income	(29,074)	(36,295)
Items that will not be reclassified subsequently to profit or loss		
◆ Actuarial gains and losses on employee benefits (IAS 19 revised)	(3,487)	(960)
◆ Share of profit/(loss) of associates	10	(20)
Items that may be reclassified subsequently to profit or loss		
◆ Gains and losses on the remeasurement of available-for-sale financial assets (IAS 39)		
◆ Share of profit/(loss) of associates	9	128
TOTAL COMPREHENSIVE INCOME	**(32,542)**	**(37,147)**
Of which attributable to the owners of the parent company	(32,614)	(37,229)
Of which attributable to non controlling interests (minority interests)	72	82

4.4.3 Consolidated cash flow statement

(in thousands of euros)	2015/2016 Fiscal year	2016/2017 Fiscal year
OPERATING ACTIVITIES		
Consolidated net income attributable to owners of the parent company	(29,147)	(36,380)
Non controlling interest (minority interest)	74	85
Amortization	50,963	49,968
Net income/(loss) of associates	(1,988)	4,171
Portion of investment grant recorded in profit or loss	(633)	(579)
Changes in provisions	3,570	(224)
Gains and losses on changes in fair value	861	(613)
Other income and expenses calculated	46	(65)
Capital gains and losses on disposal	5	59
Cash generated from operations	**23,751**	**16,421**
Net finance costs (excluding change in fair value) and income tax expense	(246)	378
Cash generated from operations before net finance costs and income tax expense	**23,505**	**16,799**
Tax paid		
Decrease/(increase) in WCR relating to operations	43,160	1,427
CASH FLOW FROM OPERATING ACTIVITIES	**66,665**	**18,226**
INVESTING ACTIVITIES		
Purchase of PP&E, intangible and financial assets	(77,840)	(111,851)
Gains on disposal of PP&E and intangible assets	1,254	668
Impact of changes in scope of consolidation		
Change in loans and advances granted	9,490	(110)
CASH FLOW USED IN INVESTING ACTIVITIES	**(67,095)**	**(111,292)**
FINANCING ACTIVITIES		
Dividends paid	(19)	(43)
Minority contributions and changes in scope of consolidation		
Share capital increase		
Changes in stable financing activities (including credit line)	855	794
Net interest received (paid)	246	(378)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**1,082**	**372**
CHANGE IN CASH AND CASH EQUIVALENTS	**652**	**(92,694)**
Cash and cash equivalents at beginning of the period	**186,895**	**187,546**
Cash restated at fair value	(1)	(3)
Cash and cash equivalents at the end of the period	**187,546**	**94,850**
Cash and cash equivalents – Assets	187,546	94,850
Bank – Liabilities		

4.4.4 Consolidated statement of changes in equity

(in thousands of euros)	Common stock	Addtional paid-in capital	Items recognized directly in equity	Reserves and retained earnings	Equity attributable to the owners of the parent company	Non controlling interests (minority interests)	Equity
APRIL 1ST, 2015	**24,517**	**214,650**	**(24,856)**	**465,728**	**680,039**	**321**	**680,359**
Dividend paid				(3)	(3)	(16)	(19)
Share capital increase							
Other comprehensive income			(3,468)		(3,468)	(1)	(3,468)
Net income for the period			(14)		(14)		(14)
Other variation related to associates				(29,147)	(29,147)	74	(29,074)
MARCH 31, 2016	**24,517**	**214,650**	**(19,951)**	**436,578**	**655,793**	**378**	**656,171**
Dividend paid						(43)	(43)
Share capital increase							
Other comprehensive income			(849)		(849)	(3)	(852)
Other variation							
Net income for the period				(36,380)	(36,380)	85	(36,295)
Other variation related to associates			20,647		20,647		20,647
MARCH 31, 2017	**24,517**	**214,650**	**(153)**	**400,199**	**639,211**	**417**	**639,628**

4.4.5 Contractual Auditor's and Statutory Auditors' Report on the consolidated financial statements

Year ended March 31st, 2017

Deloitte & Associés	**Louis Viale**	**André Garino**
185, avenue Charles-de-Gaulle	12, avenue de Fontvieille	2, rue de la Lüjerneta
92200 Neuilly-sur-Seine	98000 Principauté de Monaco	98000 Principauté de Monaco

To the Shareholders,

1. OPINION

We have audited the consolidated financial statements of Société des Bains de Mer et du Cercle des Étrangers à Monaco for the year ended March 31, 2017, comprising the consolidated balance sheet, consolidated income statement, statement of comprehensive income, consolidated cash flow statement and statement of changes in equity, as well as the notes thereto which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as of March 31, 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRSs as adopted in the European Union.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Responsibility of the Contractual Auditor and Statutory Auditors for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the IESBA (International Ethics Standards Board for Accountants) Code of Ethics, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Responses as part of our audit
Impairment test of equity securities *(See Note 6 to the consolidated financial statements)*	
The Betclic Everest Group (BEG) securities accounted for under the equity method in the Company's consolidated financial statements for the year ended March 31, 2017 totaled €99.2 million and include implicit goodwill of €76.2 million. As the item cannot be amortized, an annual impairment test must be performed in order to verify that this valuation exceeds the recoverable amount. BEG is faced with various risks that could have a material impact on its value. Furthermore, its performance in 2016/2017 was down on prior years. BEG's recoverable amount was estimated using the discounted cash flow method based on a three-year business plan, a ten-year extrapolation and a perpetual forecast value. The results of this discounted cash flow method were also compared with a valuation based on comparable market multiples. In this context, the verification that the SBM International securities and related receivables were correctly impaired, i.e. the recoverable amount of the securities and receivables largely exceeds the net carrying amount of said assets, is a key audit matter insofar as the key assumptions adopted in the discounted cash flow method rely heavily on management's judgment.	We assessed the competency of the expert that assisted management in estimating BEG's recoverable amount. In addition, we held discussions with management in order to understand the scope of this expert's involvement. With the help of our internal specialists, we carried out a critical analysis of: ◆ the models used for the Group's main entities (BetClic-Expekt-Everest and Bet-At-Home); ◆ the key assumptions used to calculate the discounted cash flows (long-term growth rate, forecast margin, discount rate); ◆ the market multiples used to assess the relevance of the estimates arising from the discounted cash flow method, while comparing these items with online gaming market practices and data. Furthermore, using the business plans and their extrapolations, we verified that the data entered into the models was consistent with BEG's organization, action plans and projects.
Recognition of gaming revenue	
The Company's revenue totaled €458.8 million for the year ended March 31, 2017, and the gaming sector, which mainly includes table games and automatic machines, represented €201.7 million. We considered that the recognition of gaming revenue was a key audit matter for the following reasons: ◆ gaming transactions are characterized by the constant handling of chips and cash, as well as daily manual counts used to recognize revenue in the accounts, which could be conducive to fraud and create a risk concerning the completeness of the recorded transactions; ◆ revenue is a key performance indicator and the verification that controls are not overridden by management requires particular attention.	We assessed the appropriateness of the control procedures set up by the Company in order to cover the risks of material misstatement that we identified for gaming revenue. Accordingly, we verified the effectiveness of the relevant controls to cover the risks relating to manual counts and the recording of gaming transactions, mainly by: ◆ physically observing the procedures in gaming rooms; ◆ verifying, on a sampling basis, that these relevant controls are actually performed and their effectiveness. This work was supplemented by substantive tests designed to verify, based on a sampling from the accounting records, that these transactions were properly recorded in the correct amount. We also covered the risk that gaming revenue would not be recognized in full, by verifying that a sample of gaming transactions was recorded in the accounts.

4. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

Management is responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for supervising the Group's financial information preparation process.

The Board of Directors is responsible for approving the consolidated financial statements.

5. RESPONSIBILITY OF THE CONTRACTUAL AUDITOR AND STATUTORY AUDITORS FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6. SPECIFIC VERIFICATION

We have also verified the information pertaining to the Group that corresponds to the management report information contained in the registration document in accordance with professional practices in France. We have no comments to make on its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Monaco, June 30th, 2017

The Contractual Auditor | *The Statutory Auditors*

Deloitte & Associés

François-Xavier AMEYE | **Louis VIALE** | **André GARINO**

4.5 Statutory Auditors and Contractual Auditor's fees

	Contractual Auditor				Statutory Auditors (detail per auditor below)			
	Amount excluding taxes		%		Amount excluding taxes		%	
(in euros)	2016/2017	2015/2016	16/17	15/16	2016/2017	2015/2016	16/17	15/16
Audit								
Statutory audit, certification, and review of company and consolidated financial statements								
Issuer	301,200	295,000	95	93	80,200	78,530	93	93
Fully consolidated subsidiaries					5,900	5,700	7	7
Other procedures and services directly related to the statutory audit								
Issuer	17,100	20,652	5	7				
Fully consolidated subsidiaries								
Sub-total	**318,300**	**315,652**	**100**	**100**	**86,100**	**84,230**	**100**	**100**
Other services rendered by the networks for the fully consolidated subsidiaries								
Legal, tax and employee-related								
Acquisition audits								
Sub-total								
TOTAL FEES PAID	**318,300**	**315,652**	**100**	**100**	**86,100**	**84,230**	**100**	**100**

Fees related to fully consolidated subsidiaries for statutory auditors that are not involved at issuer level are not mentioned in the table below.

Those fees amounted to €104,580 for fiscal year 2016/2017 and €102,100 for fiscal year 2015/2016.

	Statutory Auditor Mr. André Garino				Statutory Auditor Mr. Louis Viale			
	Amount excluding taxes		%		Amount excluding taxes		%	
(in euros)	2016/2017	2015/2016	16/17	15/16	2016/2017	2015/2016	16/17	15/16
Audit								
Statutory audit, certification, and review of company and consolidated financial statements								
Issuer	53,700	52,630	100	100	26,500	25,900	82	82
Fully consolidated subsidiaries					5,900	5,700	18	18
Sub-total	**53,700**	**52,630**	**100**	**100**	**32,400**	**31,600**	**100**	**100**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REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE TERMS AND CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE BOARD'S WORK AND THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The report of the Chairman of the Board of Directors on the terms and conditions governing the preparation and organization of the Board's work and the internal control and risk management procedures is presented on Chapter 16.5.1 of the "Document de Référence" filed in the French language on July 10, 2017 with the French Financial Markets Authority *(Autorité des Marchés Financiers).*

The Contractual Auditor and Statutory Auditors' Report on the report of the Chairman of the Board of Directors is presented on Chapter 16.5.2 of the same document.

6

ORDINARY GENERAL MEETING HELD ON SEPTEMBER 22, 2017

6.1 Agenda

- Report of the Board of Directors
- Report of the Chairman of the Board of Directors
- Reports of the Statutory Auditors and Contractual Auditor on financial statements as of March 31, 2017
- Approval of the fiscal 2016/2017 Parent Company financial statements
- Approval of the fiscal 2016/2017 Group consolidated financial statements
- Discharge of all Directors from any liabilities with respect to the performance of their mandate
- Appropriation of earnings for the year ended March 31, 2017
- Appointment of the Statutory Auditors
- Authorization granted by the General Meeting to the members of the Board of Directors to negotiate and sign any necessary documents in connection with the mandate to secure a mortgage on the Villas du Sporting, an authorization for the potential or eventual assignment of the mortgage in the event it is triggered
- Authorization granted by the General Meeting to the members of the Board of Directors to negotiate and sign any necessary documents in connection with any mandate to secure a mortgage on the Résidences du Sporting and the Monte-Carlo Bay Hotel & Resort, an authorization for the potential or eventual assignment of the mortgage in the event it is triggered
- Authorization granted by the General Meeting to the members of the Board of Directors to deal with the company personally or in an official capacity pursuant to Article 23 of the Order of March 5, 1895 and Article 20 of the Bylaws
- Authorization to buyback company shares

6.2 Board of Directors' Report

The purpose of this report is to draw your attention to the main points and issues of the draft resolutions submitted by the Board of Directors to the Ordinary General Meeting of Shareholders, due to deliberate on September 22, 2017. Therefore, this report is not comprehensive and should by no means replace your careful reading of the submitted resolutions before exercising your voting right.

The Ordinary General Meeting to be held on September 22, 2017 shall be asked to vote on nine resolutions.

Overview of the resolutions

APPROVAL OF THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (1st AND 2nd RESOLUTIONS)

The first two resolutions enable you, after familiarizing yourself with the reports of your Board of Directors, the Contractual Auditor and Statutory Auditors, to indicate whether you approve or disapprove the Company's financial statements and the consolidated financial statements for year ended March 31, 2017 as well as the transactions reflected in such financial statements and summarized in such reports.

The **first resolution** submitted to you concerns the approval of the Company's financial statements for the fiscal year ended March 31, 2017, which show a loss of €36,813,696.17.

The **second resolution** asks the Meeting to vote in order to indicate its approval (if appropriate) of the consolidated financial statements; said financial statements show a Net Consolidated Loss (Group share) of €36,380,000.

DISCHARGE TO ALL CURRENT DIRECTORS (3rd RESOLUTION)

You are asked to grant discharge to all current Directors with respect to their management during the 2016/2017 financial year.

ALLOCATION OF PROFITS/LOSSES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017 (4th RESOLUTION)

The **fourth resolution** concerns the allocation of profit/loss.

The proposed profit/loss allocation is as follows:

- after noting that the company's net losses for the year ended March 31, 2017 amount to -€36,813,696.17 and that retained earnings amount to €144,545,246.13,

  Hence a net income available for appropriation amounting to €107,731,549.96;
- propose to allocate the total net income for appropriation i.e., €107,731,549.96 to retained earnings.

APPOINTMENT OF THE STATUTORY AUDITORS (5th RESOLUTION)

The terms of office of Mr. André Garino and Mr. Louis Viale as Permanent Statutory Auditors as well as those of Mrs. Bettina Ragazzoni and Mrs. Simone Dumollard as Substitute Statutory Auditors will expire at the end of this Shareholders' Meeting.

The **fifth resolution** asks you to appoint:

- Mr. André Garino and Mr. Jean-Humbert Croci as Permanent Statutory Auditors;
- Mrs. Bettina Ragazzoni and Mr. Romain Viale as Substitute Statutory Auditors.

Their terms of office will expire at the end of the Ordinary General Meeting of Shareholders held to approve the 2019/2020 financial statements.

AUTHORIZATION GRANTED BY THE GENERAL MEETING TO THE MEMBERS OF THE BOARD OF DIRECTORS TO NEGOTIATE AND SIGN ANY NECESSARY DOCUMENTS IN CONNECTION WITH THE MANDATE TO SECURE A MORTGAGE ON THE VILLAS DU SPORTING, AN AUTHORIZATION FOR THE POTENTIAL OR EVENTUAL ASSIGNMENT OF THE MORTGAGE IN THE EVENT IT IS TRIGGERED (6th RESOLUTION)

To secure the funding of its two major investment projects – extensive renovation of the Hôtel de Paris and the One Monte-Carlo real estate development – the Group finalized the bank financing on January 31, 2017.

These bank financing arrangements totaling €230 million are divided into two tranches:

- tranche A for a Corporate loan of €86.8 million;
- tranche B of €143.2 million, combined with a guarantee comprising the granting of an irrevocable mandate to secure a mortgage on the Villas du Sporting.

It should be noted that, under the Loan Agreement, the loan amount made available by Tranche B may not exceed 40% of the assessed value of the guaranteed assets.

Should this commitment for the Villas du Sporting no longer be upheld, the Loan Agreement provides for a possible remediation via the granting of an irrevocable mandate to secure a mortgage on other assets, in this case the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort.

The purpose of the sixth and seventh resolutions is to satisfy these commitments.

The **sixth resolution** asks you to approve and authorize the Members of the Board of Directors to arrange the mandate for the Villas du Sporting, i.e.:

- negotiate, amend, finalize, conclude and sign a mandate to secure a mortgage on the Villas du Sporting as well as any letter, certificate, contract and/or other document whose signature would prove necessary or useful for the conclusion by the Company of the Villas du Sporting Mortgage Mandate;
- register the Villas du Sporting mortgage for the Financial Parties under the Loan Agreement according and subject to the terms of the Loan Agreement and the Villas du Sporting Mortgage Mandate.

Accordingly, the Shareholders:

(i) take due note of the planned irrevocable mandate to secure a first mortgage that should be granted, by no later than October 13, 2017, by the Company to the Financial Parties (such as this term is defined in the Loan Agreement) under the Loan Agreement dated January 31, 2017 concluded between the Company as borrower, BNP Paribas as agent and the designated lenders (the "Loan Agreement") and pertaining to the Villas du Sporting (the "Villas du Sporting Mortgage Mandate"), a real estate complex belonging to the Company located on Avenue Princesse-Grace, 98000 Monaco and comprising the following three villas for rental:
   - Villa "La Falaise", 28 Avenue Princesse Grace – 98000 Monaco,
   - Villa "La Cascade", 30 Avenue Princesse Grace – 98000 Monaco,
   - Villa "La Pinède", 32 Avenue Princesse Grace – 98000 Monaco;

(ii) take due note that the arrangement of the Villas du Sporting Mortgage Mandate is a prerequisite to the financing granted by the Financial Parties to the Company for the renovation of the Hôtel de Paris Monte-Carlo and the redevelopment of the Place du Casino undertaken by the Company;

(iii) take due note that failure to grant the Villas du Sporting Mortgage Mandate shall, under the Loan Agreement, result in the mandatory early repayment of the Loans and the consequent cancellation of any Commitments under the Loan Agreement;

(iv) take due note that the conclusion of the Villas du Sporting Mortgage Mandate is likely to bring about, according and subject to the terms of the Loan Agreement and Villas du Sporting Mortgage Mandate, and automatically and without the need for any new or specific action by the Company or its shareholders: (i) the registration of the Villas du Sporting mortgage for the Financial Parties under the Loan Agreement should an Event of Default remain under the Loan Agreement and the payment of any costs, particularly the relating registration and recording costs by the Company, and (ii) assuming an Event of Payment Default or any early repayment of the Loan Agreement, the triggering of the registered mortgage, under the terms and conditions stipulated in the Loan Agreement and the Villas du Sporting Mortgage Mandate, and thus the real estate transfer of the Villas du Sporting;

(v) take due note that the grant of the Villas du Sporting Mortgage Mandate and the eventual possible real estate transfer due to the triggering of the mortgage should each be authorized in a specific and valid resolution at the Shareholders' Meeting in accordance with Article 19 of the Company's bylaws.

We kindly ask you to approve and authorize these transactions.

AUTHORIZATION GRANTED BY THE GENERAL MEETING TO THE MEMBERS OF THE BOARD OF DIRECTORS TO NEGOTIATE AND SIGN ANY NECESSARY DOCUMENTS IN CONNECTION WITH ANY MANDATE TO SECURE A MORTGAGE ON THE RÉSIDENCES DU SPORTING AND THE MONTE-CARLO BAY HOTEL & RESORT, AN AUTHORIZATION FOR THE POTENTIAL OR EVENTUAL ASSIGNMENT OF THE MORTGAGE IN THE EVENT IT IS TRIGGERED (7th RESOLUTION)

As mentioned previously, the **seventh resolution** asks you to approve and authorize the Members of the Board of Directors to:

- negotiate, amend, finalize, conclude and sign any irrevocable mandate to secure a first mortgage on the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort (the "Additional Mortgage Mandates"), as well as any letter, certificate, contract and/or other document whose signature would prove necessary or useful for the conclusion by the Company of the Additional Mortgage Mandates;
- register the mortgage on the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort for the Financial Parties under the Loan Agreement according and subject to the terms of the Loan Agreement and any relevant Additional Mortgage Mandate.

Accordingly, the Shareholders:

(i) take note that under the terms of the Loan Agreement, the Company may be required, in order to remedy any breach of the LTV Ratio (which constitutes an Event of Default under the Loan Agreement, which, should it remain, may result in the early repayment of the Loans and the consequent cancellation of any Commitments under the Loan Agreement), to grant, subsequent to the Loan Agreement signature date, for the Financial Parties under the Loan Agreement, in addition to the Villas du Sporting Mortgage Mandate, one or more irrevocable mandates to secure a first mortgage on other real estate assets of the Company, and particularly the Résidences du Sporting located at 38, Avenue Princesse-Grace 98000 Monaco and/or the Monte-Carlo Bay Hotel & Resort located at 40, Avenue Princesse-Grace 98000 Monaco, under terms and conditions substantially similar to those of the Villas du Sporting Mortgage Mandate;

(ii) take due note that the conclusion of the Additional Mortgage Mandates is likely to bring about, according and subject to the terms of the Loan Agreement and any relevant Additional Mortgage Mandate, and automatically and with no need for any new or specific action by the Company or its shareholders: (i) the registration of the mortgage on the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort for the Financial Parties under the Loan Agreement should an Event of Default remain under the Loan Agreement and the payment of any costs, particularly the relating registration and recording costs by the Company, and (ii) assuming an Event of Payment Default or any early repayment of the Loan Agreement, the triggering of the registered mortgage, under the terms and conditions stipulated in the Loan Agreement and the Additional Mortgage Mandates, and thus the real estate transfer of the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort;

(iii) take due note that the grant of any Additional Mortgage Mandate and the eventual possible real estate transfer due to the triggering of the mortgage should each be authorized in a specific and valid resolution at the Shareholders' Meeting in accordance with Article 19 of the Company's bylaws;

We kindly ask you to approve and authorize these transactions.

AUTHORIZATION ENABLING MEMBERS OF THE BOARD OF DIRECTORS TO ENTER INTO CONTACTS WITH THE COMPANY PERSONALLY OR IN AN OFFICIAL CAPACITY PURSUANT TO ARTICLE 23 OF THE ORDER OF MARCH 5, 1895 AND ARTICLE 20 OF THE BYLAWS (8th RESOLUTION)

The **eighth resolution** asks you to:

- approve the transactions carried out over the course of the 2016/2017 fiscal year that fall within the scope of application of Article 23 of the Order of March 5, 1895 and Article 20 of the Bylaws;
- renew the authorization granted to the Members of the Board of Directors to enter into contracts with the Company personally or in an official capacity in accordance with said articles.

In Chapter 3.1.5 of this document, we reported on the transactions that took place, directly or indirectly, between your Company and its Directors or your Company and affiliated and unaffiliated companies with the same directors.

Pursuant to Article 23 of the Order of March 5, 1895, we kindly ask you to ratify said transactions.

AUTHORIZATION TO BUYBACK COMPANY SHARES (9th RESOLUTION)

The **ninth resolution** asks you to renew your authorization to buyback Company shares.

The Ordinary General Meeting held on September 23, 2016 gave such an authorization for an 18-month period as from the date of said Meeting, i.e. until March 23, 2017. This option has not been exercised.

However, the Meeting is asked to renew this authorization and thereby permit the Board of Directors to acquire a maximum of 5% of the Company's share capital.

The objectives pursued are identical to those that were indicated on September 23, 2016, i.e.:

- holding and subsequently using the shares in exchange or as payment within the framework of external growth (including the acquisition and increase of shareholding);
- ensuring active operation and market liquidity through an investment service provider, acting independently pursuant to a liquidity agreement that complies with a charter of ethics recognized by the French Financial Markets Authority *(Autorité des Marchés Financiers);*
- holding shares in order to enable the Company to honor its obligations in respect of debt securities that may be converted into shares or other securities granting access to existing shares;
- holding shares that may be allocated to employees and affiliate companies within the framework of stock options or free allocation of existing shares;
- carrying out any other practice as may be permitted or recognized by French law or by the French Financial Markets Authority *(Autorité des Marchés Financiers),* or pursuing any other objective that complies with the applicable laws and regulations.

Consequently, we ask you to adopt the following share buyback program:

- authorization to purchase Company shares, under the conditions set forth here below, and representing a maximum of 5% of the existing share capital as of the date of this General Meeting;
- the maximum purchase price must not exceed €60 per share, it being hereby specified that in the event of capital transactions, including but not limited to, capitalization of reserves and allocation of free shares and/or splitting or pooling of shares, this maximum price shall be adjusted accordingly;
- maximum amount of funds to be used for the buyback program shall not to exceed €30 million;
- authorization valid for an 18-month period as from September 22, 2017;
- shares to be acquired or transferred by any means, including, but not limited to, on the market or by private sale, including block purchases or transfers, through derivative financial instruments traded on a regulated market or by private sale, in accordance with the applicable laws as of the date of the transactions in question, and at such time as the Board of Directors or any person acting on the authority of the Board of Directors deems appropriate.

As from the date hereof such authorization would replace and invalidate the remaining term of any unused portion of any authorization that may have been granted by the Shareholders' General Meeting for the same purpose.

We kindly ask you to authorize the share buyback program that we have submitted to you for approval.

6.3 Resolutions submitted to the Ordinary General Meeting

FIRST RESOLUTION

APPROVAL OF THE FINANCIAL STATEMENTS OF SOCIÉTÉ DES BAINS DE MER FOR THE YEAR ENDED MARCH 31, 2017

The Shareholder's General Meeting, having listened to the Board of Directors' report and reports of the Contractual Auditor and Statutory Auditors, approves the financial statements of Société des Bains de Mer:

- the balance sheet as of March 31, 2017, and the statement of income for the year then ended, which show a net loss of -€36,813,696.17;
- the transactions completed during the financial year, as shown in the balance sheet or summarized in the reports of the Board of Directors or the Statutory Auditors.

SECOND RESOLUTION

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

The Shareholders' General Meeting, after listening to the report of the Board of Directors and the reports of the Contractual Auditor and Statutory Auditors, approves the consolidated financial statements for the financial year ended March 31, 2017, as presented to it, and the transactions reflected in the financial statements and summarized in these reports.

THIRD RESOLUTION

DISCHARGE TO ALL CURRENT DIRECTORS

The Shareholders' General Meeting granted discharge to the current Directors with respect of their management during the financial year.

FOURTH RESOLUTION

ALLOCATION OF PROFITS/LOSSES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

The Shareholders' General Meeting, having read the Board of Directors' and the Statutory Auditors' reports:

■ notes that the loss for the 2016/2017 financial year amount to	-€36,813,696.17
■ notes that the retained earnings amount to	€144,545,246.13
hence, net income available for appropriation amounts to	€107,731,549.96
■ decides to appropriate the resulting total:	
– retained earnings	€107,731,549.96

FIFTH RESOLUTION

APPOINTMENT OF THE STATUTORY AUDITORS

The Shareholders hereby approve the appointment of:

- Mr. André Garino and Mr. Jean-Humbert Croci as Permanent Statutory Auditors,
- Mrs. Bettina Ragazzoni and Mr. Romain Viale as Substitute Statutory Auditors.

Their terms of office will expire at the end of the Ordinary General Meeting of Shareholders held to approve the 2019/2020 financial statements.

SIXTH RESOLUTION

AUTHORIZATION GRANTED BY THE GENERAL MEETING TO THE MEMBERS OF THE BOARD OF DIRECTORS TO NEGOTIATE AND SIGN ANY NECESSARY DOCUMENTS IN CONNECTION WITH THE MANDATE TO SECURE A MORTGAGE THE VILLAS DU SPORTING, AN AUTHORIZATION FOR THE POTENTIAL OR EVENTUAL ASSIGNMENT OF THE MORTGAGE IN THE EVENT OF ITS FULFILMENT

The Shareholders, having:

(i) taken due note of the planned irrevocable mandate for a first mortgage that should be granted, by no later than October 13, 2017, by the Company to the Financial Parties (such as this term is defined in the Loan Agreement) under the Loan Agreement dated January 31, 2017 concluded between the Company as borrower, BNP Paribas as agent and the designated lenders (the "Loan Agreement") and pertaining to the Villas du Sporting (the "Villas du Sporting Mortgage Mandate"), a real estate complex belonging to the Company located on Avenue Princesse-Grace, 98000 Monaco and comprising the following three villas for rental:

- Villa "La Falaise", 28 Avenue Princesse Grace – 98000 Monaco,
- Villa "La Cascade", 30 Avenue Princesse Grace – 98000 Monaco,
- Villa "La Pinède", 32 Avenue Princesse Grace – 98000 Monaco;

(ii) taken due note that the set-up of the Villas du Sporting mortgage mandate is a condition precedent to the grant of financing by the Financial Parties to the Company for the renovation of the Hôtel de Paris Monte-Carlo and the redevelopment of the Place du Casino undertaken by the Company;

(iii) taken due note that failure to grant the Villas du Sporting Mortgage Mandate shall, under the Loan Agreement, result in the mandatory early repayment of the Loans and the consequent cancellation of any Commitments under the Loan Agreement;

(iv) taken due note that the conclusion of the Villas du Sporting Mortgage Mandate is likely to bring about, according and subject to the terms of the Loan Agreement and Villas du Sporting Mortgage Mandate, and automatically and with no need for any new or specific action by the Company or its shareholders: (i) the registration of the Villas du Sporting mortgage for the Financial Parties under the Loan Agreement should an Event of Default remain under the Loan Agreement and the payment of any costs, particularly the relating registration and recording costs by the Company, and (ii) assuming an Event of Payment Default or any early repayment of the Loan Agreement, the fulfilment of the registered mortgage, under the terms and conditions stipulated in the Loan Agreement and the Villas du Sporting Mortgage Mandate, and thus the real estate transfer of the Villas du Sporting;

(v) taken due note that the grant of the Villas du Sporting Mortgage Mandate and the eventual possible real estate transfer due to the fulfilment of the mortgage should each be authorized in a specific and valid resolution at the Shareholders' Meeting in accordance with Article 19 of the Company's bylaws;

- hereby approve and authorize the negotiation, amendment, finalization, conclusion and signature by the Company of the Villas du Sporting Mortgage Mandate as well as any letter, certificate, contract and/or other document whose signature would prove necessary or useful for the conclusion by the Company of the Villas du Sporting Mortgage Mandate,
- hereby approve and authorize the registration of the Villas du Sporting mortgage for the Financial Parties under the Loan Agreement according and subject to the terms of the Loan Agreement and the Villas du Sporting Mortgage Mandate.

SEVENTH RESOLUTION

AUTHORIZATION GRANTED BY THE GENERAL MEETING TO THE MEMBERS OF THE BOARD OF DIRECTORS TO NEGOTIATE AND SIGN ANY NECESSARY DOCUMENTS IN CONNECTION WITH ANY MANDATE TO SECURE A MORTGAGE THE RÉSIDENCES DU SPORTING AND THE MONTE-CARLO BAY HOTEL & RESORT, AN AUTHORIZATION FOR THE POTENTIAL OR EVENTUAL ASSIGNMENT OF THE MORTGAGE IN THE EVENT OF ITS FULFILMENT

The Shareholders, having:

(i) taken note that under the terms of the Loan Agreement, the Company may be required, in order to remedy any breach of the LTV Ratio (which constitutes an Event of Default under the Loan Agreement, which, should it remain, may result in the early repayment of the Loans and the consequent cancellation of any Commitments under the Loan Agreement), to grant, subsequent to the Loan Agreement signature date, for the Financial Parties under the Loan Agreement, in addition to the Villas du Sporting Mortgage Mandate, one or more irrevocable mandates for a first mortgage on other real estate assets of the Company, and particularly the Résidences du Sporting located at 38, Avenue Princesse-Grace 98000 Monaco and/or the Monte-Carlo Bay Hotel & Resort located at 40, Avenue Princesse-Grace 98000 Monaco, under terms and conditions substantially similar to those of the Villas du Sporting Mortgage Mandate;

(ii) taken due note that the conclusion of the Additional Mortgage Mandates is likely to bring about, according and subject to the terms of the Loan Agreement and any relevant Additional Mortgage Mandate, and automatically and with no need for any new or specific action by the Company or its shareholders: (i) the registration of the mortgage on the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort for the Financial Parties under the Loan Agreement should an Event of Default remain under the Loan Agreement and the payment of any costs, particularly the relating registration and recording costs by the Company, and (ii) assuming an Event of Payment Default or any early repayment of the Loan Agreement, the fulfilment of the registered mortgage, under the terms and conditions stipulated in the Loan Agreement and the Additional Mortgage Mandates, and thus the real estate transfer of the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort;

(iii) taken due note that the grant of any Additional Mortgage Mandate and the eventual possible real estate transfer due to the fulfilment of the mortgage should each be authorized in a specific and valid resolution at the Shareholders' Meeting in accordance with Article 19 of the Company's bylaws;

- hereby approve and authorize the negotiation, amendment, finalization, conclusion and signature of any irrevocable mandate for a first mortgage on the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort (the "Additional Mortgage Mandates"), as well as any letter, certificate, contract and/or other document whose signature would prove necessary or useful for the conclusion by the Company of the Additional Mortgage Mandates,
- hereby approve and authorize the registration of the mortgage on the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort for the Financial Parties under the Loan Agreement according and subject to the terms of the Loan Agreement and any relevant Additional Mortgage Mandate.

EIGHTH RESOLUTION

AUTHORIZATION ENABLING MEMBERS OF THE BOARD OF DIRECTORS TO ENTER INTO CONTRACTS WITH THE COMPANY PERSONALLY OR IN AN OFFICIAL CAPACITY PURSUANT TO ARTICLE 23 OF THE ORDER OF MARCH 5, 1895 AND ARTICLE 20 OF THE BYLAWS

The Shareholders' General Meeting approved the transactions that were carried out over the course of the 2016/2017 financial year and that fall within the scope of application of Article 23 of the Order of March 5, 1895 and Article 20 of the Bylaws.

It renewed the authorization granted to Members of the Board of Directors enabling them to enter into contracts with the Company personally or in an official capacity in accordance with said articles.

NINTH RESOLUTION

AUTHORIZATION TO BUYBACK COMPANY SHARES

Pursuant to Article 41 of the Bylaws, the Shareholders' General Meeting authorizes the Board of Directors to purchase Company shares, under the terms defined below and for up to 5% of the share capital as of the date of this meeting:

- the maximum purchase price shall not exceed €60 per share, bearing in mind that in the event of share capital transactions, particularly through the capitalization of reserves and allotment of bonus shares, and/or share splits or reserve splits, this price shall be adjusted accordingly;
- the maximum amount of funds intended for this buyback program may not exceed €30 million;
- this authorization is valid for a period of 18 months as from September 22, 2017;
- these shares may be purchased or transferred, by any means, particularly on the stock exchange or in a private transaction, including through purchase or sale of blocks, use derivative financial instruments traded on a regulated market or in a private transaction, in accordance with the regulations prevailing on the date of the transactions considered, and at times that the Board of Directors or the person acting on behalf of the Board shall see fit.

The Shareholders' General Meeting decides that this share buyback program is as follows:

- retention and subsequent tender of shares within the scope of an exchange offer or for payment in external growth transactions (including new investments or additional investments);
- maintaining an active and liquid market in the Company's shares through an independent investment services provider, pursuant to a liquidity agreement in accordance with an ethics charter recognized by the French Financial Markets Authority *(Autorité des Marchés Financiers);*
- possession of shares enabling the Company to fulfil obligations relating to debt securities exchangeable for shares or other marketable securities granting entitlement to existing shares;
- possession of shares that may be allotted to the Company's personnel and that of affiliates under share purchase option or bonus share allotment plans;
- adoption of any other practice accepted or recognized by French law or the French Financial Markets Authority in the future, or any other objective that would comply with prevailing regulations.

As from the date hereof this authorization shall replace and invalidate the remaining term of any unused portion of any authorization that may have been granted by the Shareholders' General Meeting for the same purpose.

The Shareholders' General Meeting grants full powers to the Board of Directors, with the possibility of delegating such powers, to deliberate and implement this authorization, clarify, if need be, the terms and conditions and approve them, place orders for trades, enter into all agreements, prepare all disclosure documents, allocate, and where appropriate reallocate, the purchased share to the various objectives, perform all formalities and make all declarations with regard to all authorities and, generally, do all that necessary.

NOTES

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MONTE-CARLO
SOCIÉTÉ DES BAINS DE MER

CASINOS

Casino de Monte-Carlo
Casino Café de Paris
Sun Casino
Bay Casino

HOTELS & RESTAURANTS

Hôtel de Paris Monte-Carlo
Hôtel Hermitage Monte-Carlo
Monte-Carlo Beach
Monte-Carlo Bay Hotel & Resort
Brasserie Café de Paris
Buddha Bar Monte-Carlo
Le Méridien Beach Plaza

LEISURE & ENTERTAINMENTS

Salle Garnier - Opéra de Monte-Carlo
La Rascasse
Monte-Carlo Beach Club
Thermes Marins Monte-Carlo
Salle des Étoiles
Jimmy'z Monte-Carlo
Monte-Carlo Country Club
Monte-Carlo Golf Club
La Promenade Monte-Carlo Shopping

RESIDENTIAL

Les villas du Sporting
Les Résidences du Sporting
Le Balmoral

Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco (S.B.M.)
Société anonyme au capital de 24 516 661 euros
Siège Social : Place du Casino – 98000 MONACO
RCI Principauté de Monaco 56S00523

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